FINAL REPORT

Building on Our Strengths

Report of the Royal Commission on Employment and Unemployment

Building on Our Strengths

ROYAL COMMISSION ON EMPLOYMENT AND UNEMPLOYMENT
NEWFOUNDLAND

September 20, 1986

The Honourable James A. McGrath, P.C. LLD.
Lieutenant-Governor of Newfoundland and Labrador
Government House
Military Road
St. John's, Newfoundland
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Dear Sir:

The Royal Commission on Employment and Unemployment, appointed by your predecessor, the Honourable Dr. W. Anthony Paddon. C.M., M.D., under Order-in-Council Number MC3/85 and dated January 15, 1985 is pleased to advise that it has completed its inquiry and herewith submits its Final Report.

Respectfully submitted,

J D House.

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Building on Our Strengths

ERRATA:

p. 135. Last sentence reads,
Moreover, this industry is suited to the lifestyle and working patterns of outport people and the physical environmental conditions in which most fishermen already work.

p. 357. Last sentence reads,
The end result of this experiment in regional planning was, in many cases, regional service centres of high unemployment which no longer had a surrounding district to serve.

Report of the Royal Commission
on Employment and Unemployment

St. John's, Newfoundland
1986

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Preface

The Royal Commission on Employment and Unemployment was established by the Government of Newfoundland and Labrador early in 1985 to investigate all aspects of employment and unemployment in the Province of Newfoundland. Because its mandate was so wide-ranging, many people contributed to the work of the Commission during the twenty months of its existence. While the opinions and recommendations of this Report are the sole responsibility of the five Commissioners, we would like, in this Preface, to acknowledge the help and support of the many organizations and individuals who contributed to our work.

The Commission gave high priority to affording people in all parts of our province an opportunity to voice their concerns and opinions about employment and unemployment. We held 42 public hearings in all regions of the province at which we received 216 briefs and verbal presentations. We also held many informal meetings with groups and individuals which have particular interests and expertise. The information presented to us at the hearings and informal meetings was very important in shaping the Commissioners' views and the underlying philosophy of this Report. We would like to take this opportunity to thank the many Newfoundlanders and Labradorians in all regions of the province and all walks of life who took the trouble to prepare briefs and discuss issues with us.

To complement the public hearings, the Commission also conducted a large-scale research programme, with many projects carried out by its own staff and others by external researchers and consultants. We were fortunate in having a dedicated, hard-working and committed staff of administrative, research and editorial personnel to whom the Commissioners are extremely grateful. The personnel are listed in Appendix V. We would also like to thank all those who agreed to be interviewed in the various research projects we conducted.

The Commission called upon several organizations and individuals for help at various stages of our work. For example, we approached several provincial government departments for specific kinds of assistance and would like to acknowledge, in particular, those departments that seconded people to our staff: Career Development and Advanced Studies, the Intergovernmental Affairs Secretariat, the

Department of Rural, Agricultural and Northern Development and the Petroleum Directorate. We owe a special debt to the staff of the Newfoundland Statistics Agency who tirelessly responded to our requests for data. We are grateful, as well, for the help we received from several federal departments and agencies, notably Statistics Canada, the Department of Fisheries and Oceans, Employment and Immigration Canada, the Department of Regional Industrial Expansion and the Office of the Federal Economic Development Co-ordinator. We would also like to express our thanks to many non-governmental agencies; these include the following: Memorial University of Newfoundland; the Economic Council of Newfoundland and Labrador; the Economic Council of Canada; Mobil Oil Canada, Ltd.; the Canadian Council on Social Development; the United Food and Commercial Workers Union (Local 1252); the Fishermen's Committees of Nain, Makkovik, Upper Ferry and Valleyfield; the South West Coast Futures Co-ordinating Committee; the Newfoundland and Labrador Employers' Labour Relations Council and the Newfoundland and Labrador Building and Construction Trades' Council. We apologize for any names we may have omitted inadvertently.

Finally, we would like to thank the many individuals, mainly in Newfoundland but also in other parts of Canada and abroad, who contributed to the work of the Commission. These include the following:

John Abbott, Gordon Alexander, J.M. Anderson, Merv Andrews, Ray Andrews, Dorothy Anger, Derrick Banfield, Melvin Baker, Ann Bell, Ken Bennett, Carol Brice-Bennett, Doug Brown, David Buchan, Paul Bugden, Brian Bursey, Strat Canning, Bev Carter, Gary Clarke, Mercedes Clarke, Frank Coleman, John Collins, Lawrence Copithorne, George Courage, Dave Courtney, David Dawe, Les Dean, Beth Decker, Dave Dempster, Ian Doig, Elizabeth Dowdeswell, Eric Dunne, Tom Espie, Dawn Evans, Dan Fallon, Jim Feehan, Larry Felt, Tom Fleming, Nat French, Herb Gaskell, Rex Gibbons, James M. Gilmour, Cathy Gogan, Wayne Greene, Robert Greenwood, Hazel Harris, Anne Hart, Bob Hill, Jim Hiller, Edna Hodgett, Terrance Hunsley, Narisim Katary, W.L. Kaufmann, G. Kealey, L. Kealey, Arnlaug Leira, Wanda Legge, Jane Lewis, Wade Locke, Marilyn Luscombe, Paul Maher, Colin Mason, Doug May, Sherry May, Cyril McCormick, Ian McCreadie, Gary McManus, George McRobie, S. Miller, Moses Morgan, Mark Mueller, Keith Newton, Eva Nordland, Rosanne Norris, Andy Noseworthy, Peter O'Brien, Charlie Oliver, R.D. Orr, Lars Osberg, Rick Pardy, Linda Parsons, Mabel Perran, Stuart Pierson, Adele Poynter, L.P. Purcell, Hugh Ridler, André Robert, Barry Rogers, Becky Roome, David Ross, Lionel Rowe, Ray Ryan, Graham Savage, John Scott, Martin Sheppard, David Shortall, Mark Shrimpton, Peter Sinclair, Gordon Slade, David Slater, Cal Smith, Mike Staveley, Geoff Stiles, Robert Taylor, Steve Taylor, John Terry, Robert Thompson, Pat Thornton, Neil Tilley, Art VanKesteren, Brian Walsh, Jim Warren, Irene Whitfield, Randy Williams, Keith Winter. Special thanks are due to Jeannie House for editorial assistance in the preparation of this Report. We once again apologize to anyone whose name we may have omitted inadvertently.

Douglas House, Chairman
September 1986

CHAPTER 1

Introduction: A New Vision for Newfoundland

In July 1986, the official unemployment rate in Newfoundland* stood at 19.9 per cent. In practical terms, this means that approximately 45,000 Newfoundlanders, or almost one in five people in the labour force in the province, failed to get a job even in the best month of the year for finding employment. There were also another 30,000 or so people who wanted to work, but had given up looking because they knew that the jobs just did not exist. Worse still, if we want to do no more than reduce the province's unemployment rate to the level of the present national average, we estimate that this will mean finding 10,000 new jobs per year for the next five years, if current trends continue. In other words, this province faces an unemployment problem of major dimensions.

To attempt to find a way out of this situation would appear on the surface to be a very difficult task given that, over the last five years, employment levels have actually fallen by a total of 3,000 jobs, despite increases in the number of short-term job creation projects funded by both orders of government. Unless conditions change dramatically in the near future, we must expect anywhere between 50,000 and 75,000 Newfoundlanders to be unemployed at any given time. Such a situation is unacceptable to this province and to this Commission.

Our unemployment crisis, therefore, demands of us that we take action immediately to redirect Newfoundland onto a bold new course of development, one that will require some rather basic changes in attitude, organization, policies and programmes. We cannot afford to tinker with the problem any longer, or to hope that band-aid solutions will somehow save the day. **We need a new thrust for economic development and employment generation, and that means that we need a renewed commitment from all Newfoundlanders and a new, shared sense of purpose.**

In this Report, the Royal Commission on Employment and Unemployment proposes a blueprint for a revitalized Newfoundland, but we caution that we offer no miracle cures. Rather, we look at the hitherto untapped, or insufficiently tapped, strengths of this province and seek to build on them. If, and we think only if, our recommendations are followed and developed with energy and persistence, the new enterprises and productive activity that will be generated should in time provide employment for many more Newfoundlanders.

Any strategy to alleviate Newfoundland's serious unemployment problem must reflect a long-term vision of the nature of Newfoundland society itself. The Royal Commission on Employment and Unemployment proposes such a new vision. It sees Newfoundland as a multi-sectored society, with balanced industrial and non-industrial sectors, and urban and rural communities. Newfoundland would continue to be a society in which most people lived in small communities, but these would be modern, sophisticated rural villages with literate, well-educated, well-trained people. As part of post-industrial Canada, Newfoundlanders would enjoy the benefits of up-to-date forms of transportation and communications, computer technology, advanced service industries, a revamped social security system and active participation in the decisions that affected their daily lives. The urban and rural regions of the province would enjoy equal benefits and attention from policy-makers, and the industrial and non-industrial sectors of the provincial economy would be well-knit. Balanced, integrated processes of economic development would ensure high employment levels in all regions of the province.

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* For convenience, we use the term 'Newfoundland' in a generic sense to include both the Island of Newfoundland and Labrador, and the term 'Newfoundlanders' to include both Newfoundlanders and Labradorians.

This new vision of a post-industrial future breaks sharply with past dreams for a highly industrialized Newfoundland. A hundred years of effort to create a fully urbanized and industrialized society has had some successes, but has failed to provide the employment levels and standards of living that Newfoundlanders need. The single-minded quest for a highly industrialized Newfoundland must be abandoned. Newfoundland has too small a local market, is too distant from major metropolitan markets, and is too dependent upon outside ownership to finance and run its major resource industries for it to aspire realistically to becoming a major centre of heavy industry and manufacturing. This is, in any case, an unwise goal since even in the industrial heartland of North America, new technologies and Third World competition have created serious unemployment problems in the manufacturing sector.

From time to time, an alternative vision, hankering romantically back to an idyllic past of independent, subsistence-based fishing outports, has been suggested. The Royal Commission also rejects this mythical past as a poor guide to the future. Life in the old-style pre-Confederation outports was hard, many people were poor and there was always a controlling dependency upon merchants, international markets and distant government. Since Confederation, as a result of government preoccupation with large-scale industrialism along with the rapid growth of the Canadian welfare state, Newfoundland outports have been in danger of becoming rural welfare communities.

The Commission recommends that Newfoundland look beyond both its mythical past and its lost industrial dreams to a new vision of itself as a vibrant, small-scale province within Canadian society. It is from the pending post-industrial era that we should take our inspiration, an era in which electronics, computerization, modern transportation and communication systems and the rapid growth of a myriad of personal services will increasingly obviate the need to centralize populations for large-scale manufacturing enterprises. **Our vision is of a balanced, multi-sectored society, with strong, sophisticated urban and rural communities, with both goods-producing and service industries, all linked together in an integrated society which will itself be integrated with the larger Canadian society.**

The biggest transformation has to come in those small communities with less than 5,000 people where most Newfoundlanders (60 per cent) live. From fishing outports we have to create, not welfare ghettoes, but modern communities which use up-to-date communications, intermediate technology and modern forms of enterprise, so as to achieve a new kind of self-reliance appropriate to the post-industrial age. If we are to achieve this, these modern villages will need to experience a revolution in the education of their citizens, be linked into provincial research and development schemes which are geared to their needs, enjoy a newly designed income security system, gain greater control over the decisions that affect them directly and receive the active support and encouragement of both federal and provincial government agencies in their efforts to achieve self-reliance.

This is no fanciful vision, but a realistic aspiration for any sparsely populated region that is part of an advanced industrial country and is distant from the main economic and political decision-making centres of its society. The west of Ireland, the Highlands and Islands of Scotland, northern Norway and Sweden, and several other regions of Canada, including the Maritime Provinces, the Territories and the northern parts of Quebec, Ontario and the western provinces, all share with Newfoundland similar circumstances and problems. Advanced thinking in such regions, especially in Scandinavia, seeks to 'leap-frog' the industrial age, to move directly from a non-industrial (or partially industrial) to a post-industrial society. In the past, Newfoundland and other similar regions of Canada have tended to be followers, to marvel at new trends initiated elsewhere and then to play catch-up as best they can. While other places have moved beyond industrialism to post-industrialism, we are still trying to complete our own abortive industrial revolution. This Report proposes that we abandon our antiquated dreams in order to become leaders in building a pluralistic post-industrial Canada.

We are not suggesting that the more urbanized and industrial parts of the province be ignored; we shall make suggestions as to how these should be strengthened as well. But our greatest needs are for new provincial and regional development strategies that will promote the viability of post-industrial towns and villages, and for much stronger integration of the rural and urban sectors of our society.

This new vision and its accompanying new strategy for change are needed because there is something fundamentally wrong in Newfoundland today. Too many people are poor; too many people are unemployed; there is too much dependency upon government; too few people and communities are taking the kind of initiative that would create employment for themselves; too many citizens are poorly educated; too many people feel demoralized and pessimistic about their economic prospects. Together, these are symptoms of an underdeveloped society, of a society that is failing to realize to the full the potential of its people and its other resources.

And yet there are encouraging signs of enterprise within the province. In Buchans, a woman faced with unemployment in her household has built up a small ceramics shop that caters to both locals and tourists; in the Codroy Valley, two men have returned from the mainland and have begun to build, with local materials, furniture that competes successfully with 'imports' from the mainland; on Fogo Island, the regional co-operative has succeeded in maintaining viable communities based on the inshore fishery; outside Happy Valley-Goose Bay, provincial agriculturalists have established an experimental hothouse project which supplies cucumbers and other vegetables for the local market; in the Humber Valley, local farmers have no trouble selling all the strawberries they can produce; in Burin, Fishery Products International (FPI) has converted an old fish plant into a thriving secondary fish-processing enterprise, and in Stephenville, Abitibi Price has converted a failed linerboard mill into one of the most productive paper mills within its whole organization.

In our public hearings and research projects, the Commission discovered many other such examples of positive economic activity in Newfoundland. These initiatives come from many types of economic enterprises - small businesses, co-operatives, government agencies, large locally based companies and branch plants of multi-national corporations. Hence, the Commission adopts a pragmatic approach to economic development and employment creation. Enterprises that seem workable should be supported, regardless of the forms that they take or the philosophical leanings of their initiators.

The problem in Newfoundland is not that Newfoundlanders are 'unproductive'. In western Canada, Newfoundlanders are preferred employees because of their reputation as hard workers; in western Labrador, the iron ore mines of the Iron Ore Company of Canada (IOCC) and Wabush Mines have survived the recent economic slump by becoming streamlined and competitively productive in a tough international industry. Rather, the problem is that the **conditions** conducive to productive enterprise have been poorly fostered. While there have been some successes, such as those cited above, there are still too few of them. **Too many opportunities for productive enterprise are being lost; too few people are being properly trained to take advantage of the opportunities that do exist; too little effort is being devoted to the creation and fostering of new opportunities throughout every region of the province.**

This Report is based upon the conviction that Newfoundland's unemployment problem, although it cannot be solved completely, or once and for all, **can** be significantly alleviated. Newfoundlanders, in much greater numbers than at present, can take part in meaningful and productive employment which will provide better standards of living for their families and permit greater pride in themselves. Thus, our focus will be upon employment more than unemployment, since it is mainly through the enhancement of employment opportunities that the debilitating economic, social and psychological effects of unemployment can be remedied.

There is no single, magical cure for unemployment. The recommendations we make will require confidence, imagination, a positive attitude and sheer hard work from policy-makers and Newfoundlanders in all walks of life. But there is much that **can** be done and much that **should** be done. While there is no one solution, there are many solutions, many ways in which enterprise can be encouraged and employment opportunities thereby fostered. If this is to occur, however, much needs to be changed. In one sense this is a radical report, radical not in a political sense, but in a social sense. It calls for a number of changes in the ways in which we think about, organize and operate our society: changes which, taken together, will promote enterprise and employment. The main aim of this Report will be to outline an integrated strategy of economic and social change designed to enhance employment. This strategy is compatible with the political philosophies of both the present government and the two opposition parties and with both the labour movement and employers' associations. What is needed most is the provincial will of all dedicated Newfoundlanders to put such a strategy into effect.

Our basic assumptions and the basic principles of the strategy we propose will be outlined in an initial way in this introductory chapter. The recommendations made throughout the Report will all relate, in one way or another, to this central strategy and set of principles. Part I of the Report will provide the background necessary to understand how the Newfoundland economy works, what unemployment means in the Newfoundland context and what the social and economic strengths on which we should be building are. Part II will review briefly each of the main sectors of the economy, make a number of recommendations specific to each sector and examine the human resource potential and problems of our society. Part III will provide a comprehensive strategy for dealing with the problems and prospects we have identified in Parts I and II. It will also propose a number of recommendations for changes that need to be made in education and training, provincial development, regional development, support for small enterprises, the income security system and the operations of government itself.

The concluding chapter will attempt to integrate the themes and arguments of the earlier sections. The various recommendations will be drawn together in Appendix VII.

While this Report represents the culmination of the work of the Royal Commission on Employment and Unemployment, it is not meant to be a comprehensive account of all our findings. Much of the work done by and for the Commission is contained in a series of background reports which we hope will serve as important contributions in their own right. A list of these reports is included here as Appendix II, and readers interested in such topics as education and training, the fisheries, rural development, oil and gas, small business, the provincial labour movement, the income security system, causes of unemployment, women in the labour market and the human face of unemployment are urged to refer to these background reports. This Final Report draws upon the background reports, the many submissions to our public hearings (See Appendix III), and many debates among the Commissioners and staff, in order to provide an overview of Newfoundland's unemployment problems, employment prospects and our recommendations for improving the situation.

Guiding Assumptions and Principles

The analyses that follow, the strategy presented in Part III and the recommendations of the Commission, are all guided by a set of assumptions and principles which will be outlined in the rest of this introductory chapter (See Appendix I for a copy of the Commission's terms of reference). Despite many differences in background, personal philosophy and values, the Commissioners and staff had little difficulty in reaching consensus on what the basic problems are and how they should be tackled.

Expectations versus Realities.

Starting with the campaign that led up to Confederation in 1949, and through the promises of a series of industrial projects from rubber factories through mega-hydroelectricity projects to offshore oil-related development, Newfoundlanders have continuously had their expectations raised during the last 36 years. Prospects of economic wealth for the province as a whole have been complemented by regional and community-level promises of all the amenities of twentieth century living: electricity, water and sewer systems, paved roads, hospitals, new schools and houses. People have come to expect continuous material progress, and their political leaders have felt obliged to reinforce those expectations in order to stay in office.

The reality, however, is that Newfoundland's post-Confederation affluence has been bought at the high price of dependency upon international resource markets and the fiscal largesse of the federal government. Since 1979, the softening of export markets for Newfoundland's raw materials, along with Ottawa's need to cut its deficit, undermined Newfoundland's post-Confederation growth. Offshore oil promised to be the harbinger of new industrial affluence, but declining world prices since 1981 and cutbacks in the offshore exploration incentive programme together make it clear that oil will not be the solution to all our problems. Even if offshore oil proved to be a bountiful source of government revenues, we would still need to generate productive employment for people throughout the province.

A more recent development which may offer prospects of increased employment for Newfoundland is Canada's move towards free trade with the United States. The provincial government has strongly supported Ottawa's position that a bilateral comprehensive free trade agreement with the Americans will be advantageous to Canada in terms of export sales, industrial development and long-term employment generation. The provincial government argues that the elimination of tariff barriers for fish products entering the lucrative American market will lead to further fish processing taking place within the province and, therefore, to new job creation.

This Commission did not consider a full-scale analysis of Canada's trade policy to be within its mandate, but we have paid attention to the debates over the last year and we have reviewed much of the employment-related research which has been produced by government agencies, private institutions and academia. We shall comment more on this issue in Chapter 9. At this point, however, we do wish to warn against seeing promises of employment gains through free trade arrangements as yet another panacea for this province. Past experience should guide us in carefully reviewing all dimensions of such a major development as a free trade arrangement with the United States and we should be wary of making 'leaps of faith'.

The hard facts, as we shall see in more detail in Part II, are that the Newfoundland economy needs to create jobs at the rate of 5,000 per year just to maintain the unemployment rate at its current level during the next decade, and at the rate of 10,000 per year to bring this rate down to the Canadian average. Our concern, however, is not only with 'jobs' in the conventional sense of year-round wage- or salary-employment, but more broadly with improving economic conditions for individuals and households. In rural Newfoundland, this will mean that many people will continue to be employed on a seasonal basis, supplementing their economic well-being by household production and a measure of income supplementation, the need for which should decline over time as the rural economy becomes stronger.

Newfoundlanders have to face up to reality: theirs is a small, remote, open and highly dependent economy with both government services and personal incomes proportionately more beholden to federal transfers than anywhere else in Canada. The relationship is not just one-sided however: mainland Canada also enjoys many benefits from Newfoundland. Exports of Newfoundland fish, minerals and newsprint bring millions of dollars worth of foreign currency into Canada each year; Quebec enjoys massive windfall profits from the purchase of low-cost hydroelectricity from Labrador; southern Ontario manufacturers enjoy an almost captive market of Newfoundland consumers; Canadian resource capitalists garner most of the profits from Newfoundland-based resource industries, and Canadian financial institutions reap the benefits from Newfoundland-based savings and investment. Newfoundlanders, too, pay taxes. And, while Newfoundlanders' per capita payments from Ottawa are large, the share of total national transfers going to the province is very small. There are many other regions of Canada equally dependent upon Ottawa.

The point is that we need neither bemoan nor apologize for Newfoundland's dependency upon Ottawa, but rather 'call a spade a spade' and recognize it for what it is. As a province, we shall continue to depend upon Ottawa, but we have to expect that the rate of increase of federal transfers will be less than in the past. We must learn to make better use of what we get and gradually reduce our dependency. At the same time, we must recognize that we shall have to work hard to maintain our established resource industries and to build up local expertise and involvement in the new petroleum sector. The Commission's research demonstrates that neither federal largesse nor resource-sector growth by themselves will solve Newfoundland's unemployment problem. Instead, we must concentrate, much more than in the past, on economic activities suited in type and scale to the kind of society we are. We must develop expertise in the burgeoning service sector, already the fastest growing part of our economy, and in small-scale enterprises suited to Newfoundland communities. **The Commission believes that we have a case for practical community development, not because Newfoundland villages are quaint, but because this is the only way that we as a society can hope to achieve greater self-reliance and high employment.** Fortunately, we have many strengths upon which we can build.

Building on our Strengths.

The title of our Report asserts that, in working towards a post-industrial society, we have strengths – not just social strengths but economic strengths as well – that have been too little recognized. Flexibility, adaptability, occupational pluralism, home production, the rhythm of a seasonal life-style, household self-reliance – these are catchwords that capture the traditional culture of outport Newfoundland. In almost all the blueprints offered us for industrialization, these have been seen as barriers to economic development. And yet, ignored, battered or deprecated, Newfoundland's small communities have stubbornly persisted.

We have promised not to be rural romantics. It is not the past we hanker for, nor do we wish to retain the present state of affairs. Newfoundland's towns and villages today have inherent strengths, but these strengths have not yet been appreciated or built upon. Outports have persisted despite neglect and discouragement rather than because of official support. The attention of developers, theorists and policy-makers alike has been elsewhere. It should return, in large measure, to our own backyard. Not burdened with the trappings and inertia of more heavily industrialized regions, rural Newfoundland has the potential to achieve the kind of social and economic development that is in keeping with the spirit of the twenty-first century. Today, that potential is not being realized; Newfoundland still languishes in the throes of severe unemployment, hampered by its role as a marginal province of industrial Canada.

Unemployment in Newfoundland is a Canadian Problem.

Much is made, both by Newfoundlanders themselves and by interested outsiders, of the uniqueness of Newfoundland's culture and way of life. We do not deny this uniqueness; indeed, we believe that it should be taken into account in devising an employment strategy for Newfoundland. Nevertheless, one clear message that comes through our research is that the trends and problems that typify the Newfoundland economy and society are similar in many ways to the trends and problems that typify Canada as a whole. Whether it be occupational structure, business structure, employment and unemployment levels, educational achievement, social security provisions, unionization or infrastructural development, the patterns and trends in Newfoundland are similar to those in the rest of the country. Newfoundland is very much incorporated into the Canadian state and Canadian society. Its problems are Canadian problems.

The feature that distinguishes Newfoundland in Canadian society is not so much that it is unique, but rather that its trends and problems are more pronounced than those of other provinces. In many ways, Newfoundland's problems are extreme expressions of Canada's problems. This is because Newfoundland, economically, is the most peripheral and dependent province of Canada; its problems tend to be exaggerated when compared to the rest of the country. Newfoundland's poverty rate, unemployment rate and illiteracy rate are higher than those of other provinces; its manufacturing output, organizational productivity and investment income lower. Newfoundland's peripheral position also has important policy implications. It means that national policies, designed primarily to serve the needs of industrial Ontario and Quebec, are often poorly designed to meet the needs of Newfoundland. Such policies may even worsen Newfoundland's problems. **The unemployment insurance system, for example, was designed originally as an income maintenance scheme for industrial workers temporarily unemployed; but in rural Newfoundland it is used more as an income supplementation scheme for low-paid seasonal workers and fishermen. The rules that govern the system discourage people from engaging in productive work during the off-season and hence contribute to low incomes, underemployment and poor self-esteem.**

The recognition that Newfoundland's unemployment is as much a national as a provincial problem has posed a dilemma for this Royal Commission. The Commission was established by the provincial government, yet almost every issue that we need to address falls, to some degree or other, under federal jurisdiction. We had two options. We could have concerned ourselves only with those matters which fall under provincial jurisdiction and ignored those under federal jurisdiction. For example, we could have examined the processing side of the fishing industry but not the harvesting side, or secondary and post-secondary education institutions but not federal job training schemes. Such an approach, however, would have been highly artificial and would have been contrary to our basic belief that what is needed most is an **integrated** strategy for employment creation. Hence, we decided instead to take a holistic approach, and our recommendations include matters that fall within federal as well as provincial jurisdiction. These can be taken both as recommendations to the Newfoundland government on matters to be negotiated with Ottawa and as direct recommendations to relevent federal departments, notably Employment and Immigration and Fisheries and Oceans.

The Need for Solutions Tailor-Made for Newfoundland.

Although Newfoundland's unemployment is a Canadian problem, the position that Newfoundland holds within the national economy differentiates it from other parts of the country, particularly southern Ontario and Quebec. The extent to which other peripheral provinces, such as Manitoba and Prince Edward Island, are similar to Newfoundland is beyond the scope of this Report, but we believe that many of our findings and recommendations will be of interest to other Canadian provinces and regions, and to federal policy-makers responsible for the country as a whole. In its goods-producing sector, Newfoundland is essentially an extractor and primary processor of raw materials for export to foreign markets. Except for primary processing of fish and pulpwood, Newfoundland has a weak manufacturing sector. Newfoundland consumers depend almost exclusively upon buying goods manufactured elsewhere, mainly in central Canada.

In the other parts of the economy – construction, transportation and communications, private and public services – Newfoundland's industrial and occupational structure resembles that of the rest of Canada. One important difference, again one of degree rather than kind, is the central and dominating role of the public sector within the Newfoundland economy. In some ways, the public sector acts as a kind of substitute for a well-developed manufacturing base: it fuels other parts of the economy, notably the construction industry and educational, medical and a variety of personal services. **Changes in public policy, such as revamping the unemployment insurance system, can have more profound effects in Newfoundland than elsewhere in Canada.**

Newfoundland outports (small coastal communities dependent mainly upon the inshore fishery) are also very different from Canada's urban centres in that they are characterized by weak local and regional labour markets. Individuals enjoy few occupational choices, practice occupational pluralism (combining several jobs and informal economic activities within each seasonal round and throughout their working lives) and are vulnerable to bad years in the fishery and other primary industries. Out-migration in search of work is a common strategy, but individual migrants are hampered by low levels of formal education while families are constrained by the high costs of moving, particularly the cost of housing in urban centres. We also need to recognize that the non-cash or domestic part of the economy continues to play an important role in rural Newfoundland, contributing significantly to people's standard of living and way of life. National policies generally ignore this but, in Newfoundland, policies that enhance home production could play an important role in alleviating poverty and low productivity.

For all these reasons – dependency upon exports of raw materials, a weak manufacturing base, domination by the public sector, weak local labour markets, the practice of occupational pluralism, low levels of formal education and the continuing importance of household production – an employment strategy for Newfoundland must be tailor-made to this particular region of Canada. Recent federal government initiatives, such as the Canadian Jobs Strategy, promise to recognize regional needs, and we hope that the Report of this Commission can build upon such initiatives.

Small-Scale Developments in All Sectors of the Economy.

Since the latter part of the nineteenth century, and especially since Confederation with Canada in 1949, Newfoundland governments and the Newfoundland people have looked primarily to large-scale industrial projects for the salvation of their economic ills. In recent years, the rather naïve approach of the immediate post-Confederation period has been replaced by a more sophisticated attempt to promote controlled resource development. Hopes for the new petroleum industry, spearheaded by Mobil Oil's decision to use a concrete gravity-based production platform built in Newfoundland to produce oil from the Hibernia field, epitomize this approach. The Commission supports this initiative, and an important part of its research examines ways in which provincial benefits from oil can be optimized. **Nevertheless, a major finding of this Royal Commission is that neither oil and gas nor the resource sector as a whole can be relied upon to solve Newfoundland's unemployment problem.** The established resource industries – fisheries, forestry, mining, hydroelectricity – will at best maintain current levels of employment and may even provide fewer jobs in the future. Oil and gas will create new jobs, but not nearly as many as was hoped for in the heady days of 1979 when Hibernia was discovered and world oil prices were escalating.

While any industry that comes, big or small, is welcome, we cannot rely upon big industry and big resource projects to solve our unemployment problem. We must, therefore, pay more attention than in the past to small-scale development opportunities. These are less dramatic than oil refineries, paper mills, aluminum smelters and offshore production platforms, and less saleable politically in the implicit exchange of votes for jobs. Nevertheless, the cumulative effects of many small-scale projects hold tremendous promise and they have the additional potential benefits, unlike large-scale projects, of being spread throughout all regions of the province and of being locally owned and controlled.

Small-scale projects can be of many types in all sectors of the economy. In the resource sector, agriculture, aquaculture, secondary fish processing, alternative energy sources such as peat and wood chips, all offer exciting possibilities. Small-scale manufacturing using local products should be developed much more than at present. Tourism, one of the world's growth industries, is an untapped potential of many regions of the province. The service sector – a broad category covering all kinds of services from cleaning streets to highly sophisticated computer technology – is already our most important employer. It can be further developed through local initiatives in various regions to the point where it will provide many services which are now either non-existent or imported from outside the province.

We are not suggesting that efforts to establish modern, large-scale industries in Newfoundland be abandoned. These will continue to be important and we will recommend several ways in which Newfoundland's industrial performance can be improved. But we are calling for a realistic recognition of the way in which Newfoundland's small population base, restricted local market and distance from major metropolitan markets all limit its prospects for becoming a heavy manufacturing and industrial centre. Several small-scale initiatives exist already in embryo form, but too few of them come to maturation largely because our current support structures, both federal and provincial, are too centralized and too bureaucratized. To complement the new emphasis upon small-scale development, we need restructured government support systems that are more decentralized and responsive to local needs.

The Need for Greater Regional Autonomy.

When Newfoundland was first granted responsible government in the middle of the nineteenth century, St. John's had already become the centre of government for the colony. Fishing outports were small, they lacked any form of local government and their residents were uneducated in the workings of a democratic state. A system of government by patronage emerged, with the local member for each district acting as a broker or middleman between the district and the government in St. John's. The forfeiture of democracy and the period of Commission of Government from 1933 to 1949 further consolidated the centralization of decision-making and power in St. John's.

Since Confederation in 1949, the old system of political favours to individuals and communities in return for votes has remained strong, and a new layer at the federal level has been added. Since Confederation, however, and particularly during the past 15 years, many organizational changes have taken place in Newfoundland communities. Industrial towns such as Corner Brook, Grand Falls and Labrador City have developed their own independent forms of municipal government. Hundreds of fishing villages and other small towns now have community or town councils. Regional development associations, with democratically elected local leaders, have been established in most regions of the province. And formally organized voluntary associations of various kinds – Lions clubs, women's groups, dart leagues, native groups' associations – thrive in most Newfoundland communities. In addition, through the school system, Memorial University of Newfoundland's Extension Service, various government programmes and the rural development movement, Newfoundlanders today are better educated than ever before. They are more sophisticated about the workings of government and more knowledgeable about the social and economic needs and potentials of their respective regions.

At our public hearings, in every part of the province, the Commissioners were struck by the high calibre of the presentations of the people who appeared before us. An Innu leader from Sheshashit, a fisheries co-operative president in Happy Valley-Goose Bay, an unemployed woman in Rocky Harbour, a women's group representative in Corner Brook, a vocational school principal in Clarenville, a fisherman's wife from Ship Cove, a mayor in Buchans, a youth in Bell Island and literally hundreds of other dedicated Newfoundlanders impressed us forcibly with their passionate concern about the problems of their region and their understanding of the initiatives that are needed to bring about improvements. **If there is one message that this Commission feels bound to convey to government on behalf of the people who spoke to us it is this: in every region of this province, there are people who are potentially just as capable of running their own affairs as are people in the provincial bureaucracy, federal agencies, Memorial University or any other of the major institutions of our society centred in St. John's.**

And yet, most of these capable people currently feel alienated from the centres of power and decision-making within this country and within this province; and they feel frustrated by their lack of opportunity to take the future of their region into their own hands. Mechanisms need to be instituted to make this possible, so that regional initiatives can complement the small-scale enterprise initiatives discussed above. In Part III, we will make some recommendations as to how this might be achieved.

Improved Conditions for Industrial Development.

We are not suggesting that small-scale enterprise and regional development by themselves will prove the panacea for all of Newfoundland's employment ills. Newfoundland does enjoy possibilities for industrial development and these should be exploited to the full. Changes currently taking place in those multi-national corporations active in the province – in mining, paper-making and the offshore fishery – are local examples of a more general process of reindustrialization in

North America. These changes should make for a more productive industrial workforce, although the number of people directly employed by these multi-nationals will be somewhat lower than at present.

The oil and gas industry holds the greatest promise for new forms of industrial development in Newfoundland. Mobil's decision to use a concrete gravity-based production platform for Hibernia provides a golden opportunity for Newfoundlanders to develop industrial expertise in this area. Newfoundland can begin to establish an international reputation in oil-related industry which can be built upon to garner contracts for other types of production systems and related forms of oil-related manufacturing and fabrication. It will not be easy, but there is no *a priori* reason why Newfoundland cannot succeed in some aspects of the highly competitive international oil industry.

This Commission is convinced, however, that success in this field will require a stronger sense of provincial purpose than has been displayed in the past. The province's industrial infrastructure, especially its transportation system, must be upgraded to satisfy modern industrial requirements. Education and training strategies must be put in place now in anticipation of the oil era. Most important of all, industrial relations in the province must be improved so that they will be in line with those of leading industrial nations. This will require a new social compact between employers and employees, and between unions and all orders of government. We will make some concrete suggestions with respect to this in Part III.

Maximizing Spin-Off Benefits from Large Enterprises.

In the past, Newfoundland has lost many opportunities from those resource, manufacturing and service enterprises that have been established in the province. After 500 years of fishing, we manufacture very little for the fishing industry. Most of the services and supplies for the iron ore mines in western Labrador are provided by Quebec. The pulp and paper industry imports most of its goods and services from the mainland. Even those major public institutions which consume large quantities of a great variety of products - schools, hospitals, the university, the government itself - bring in most of what they need from outside. A Newfoundland preference policy was initiated in the 1977 provincial guidelines for the oil and gas industry, but this was pre-empted by the Supreme Court decision recognizing federal jurisdiction over offshore resources, and does not seem to have been pursued so vigorously since the signing of the Atlantic Accord. The province also adopted a preference and procurement policy to favour local manufacturers and suppliers, but has not been sufficiently assertive in enforcing it. A policy which promotes the purchase of selected supply and service needs for all enterprises, large and small, from local firms, would create many new employment opportunities. We need to work hard at promoting stronger linkages within and between all sectors of our economy.

Investment in Human Resources.

If a society's most valuable resource is its people, then the better-educated and trained they are, the more valuable the resource. With generous federal backing, the Government of Newfoundland invested heavily in education in the 1950s and

1960s, and investment per capita is still high compared to the average for all Canadian provinces. Unfortunately, however, fiscal restraint by both the federal and provincial governments has stalled progress in education in Newfoundland during the 1980s. **After gradually narrowing for many years, the education gap between Newfoundlanders and other Canadians has remained the same during the last decade.** The secondary school drop-out rate, especially in rural areas, is shockingly high; Memorial University, which once promised to become one of Canada's leading universities, is now sorely pressed for funds and space and is falling behind its mainland counterparts; the College of Trades and Technology cannot accommodate all the potential students for many of its courses; the Newfoundland and Labrador Institute of Fisheries and Marine Technology is only now beginning to assert itself in fisheries development and marine technology.

One of the terms of reference of this Royal Commission was to "evaluate the adequacy of education and training programs and institutions in meeting the current and future demands of the labour market" (See Appendix I, Section II.4). Initially, the Commissioners regarded this as only a small part of our mandate; but, as our research and public hearings progressed, we came to accord it more and more importance.

In economists' terms, unemployment is the result of a gap between the demand for labour (jobs) and the supply of labour (people seeking the available jobs). Put simply, we have a serious unemployment problem in Newfoundland because, at any given time, there are many more people seeking jobs than there are jobs for them to fill. Although we have some doubts (See Chapter 4) about the appropriateness of this view for parts of Newfoundland, where it does apply we have focused primarily on the demand side of the equation: How can we create more jobs for the people seeking them? In examining education and training, however, we are looking at a crucial element on the supply side: What are the qualifications of the people seeking the jobs? Are people qualified to fill the jobs that are available, or that promise to become available, in the society? If such is not the case, then the jobs must go unfilled or people from outside the province must be brought in to fill them. Either way, unemployment persists.

In times of recession, such as the first half of the 1980s, even well-qualified people may have difficulty in finding employment. This is particularly so for new labour-market entrants, mainly young people and middle-aged women whose children have grown up. Some young people lose faith in education during such times because it no longer guarantees a job, and many of them drop out of school. In small rural communities where some short-term job prospects require little formal education, such as in fish processing or government make-work projects, and where the intrinsic value of formal education is not highly regarded, this tendency to drop out of school is exacerbated. But the research done by the Commission demonstrates clearly that there continues to be a strong correlation between educational level and employment. **Unemployment rates are highest among the poorest educated part of the population and lowest among the best-educated.** The type of work one does is also related to educational level. **Better-educated people enjoy more secure and higher-paying jobs.**

Nationally and internationally, in a computerized and automated world, good education and up-to-date training of a society's human resources are essential. If Newfoundlanders hope to compete in the oil and gas industry, in a modernized fishery, in the burgeoning communications and service industries or for good jobs in mainland Canada, they must be well educated. The only alternatives are welfare or 'the ten-week syndrome' – short periods of low-skilled work followed by long periods on unemployment insurance. During cyclical periods of high unemployment, education and training should be viewed as an investment. The society should 'stockpile' education so as to be prepared to take advantage of new economic opportunities when they arise. In Chapter 8, we recommend several new initiatives in Newfoundland's education and training programmes and structure.

Equality of Opportunity.

In travelling throughout Newfoundland and in listening to the many briefs submitted, the Commissioners were struck by the sharp inequalities that characterize our society. Some of our citizens are underprivileged compared to others: natives to non-natives, disabled to non-disabled, rural to urban, youth to middle-aged, women to men. It is beyond the mandate of this Commission to address all aspects of social injustice in Newfoundland society, but we believe that a healthy labour market is one that does not discriminate against people on the basis of sex, age, race, disability or community of origin.

Youth unemployment was recognized in our terms of reference as a serious problem. While all the initiatives we recommend will apply to youth as well as to older people, we agree that the problem of youth unemployment is so severe that it will also require special programmes targeted specifically to young people. Women make up a much greater proportion of the Newfoundland labour force in the mid-1980s than at any previous time in our history. However, their average earnings are only about half those of men, more women than men are restricted to opportunities for part-time employment only, their participation rate is still lower than that of men or of women in Canada as a whole and, consistently across many occupations, women receive lower pay than men for equal work. The Commission believes that in post-industrial Newfoundland, women should have access to services, such as adequate early childhood education centres, that will allow them to enjoy equal job opportunities with men. Income disparities within occupational categories and other forms of employment discrimination against women should be eliminated.

Newfoundland society also exhibits wide disparities in employment opportunities by region. In general, people in urban areas enjoy better opportunities than those in rural areas, but there are also wide differences between rural areas. Coastal Labrador, parts of the Great Northern Peninsula and the Port au Port Peninsula, for example, have special problems that need to be addressed. Native Inuit and Innu in Labrador, and the Indian groups on the Island, suffer from higher unemployment and lower incomes than the rest of the population, and also require special attention. Disabled people throughout the province, too, have special needs that must be addressed as part of a comprehensive employment strategy.

Underprivilege with respect to employment is invariably related to underprivilege with respect to education and training opportunities as well. The Commission believes that equal opportunities for employment depend to a large extent upon equal opportunities for a good education, whether it be the opportunity for women to train in traditional male occupations, for outport children to enjoy good science teaching, or for native people to learn in a way that is compatible with their cultural milieux. Newfoundlanders in all these categories also need to be given equal opportunities to learn about the economic system in which they live, and to have the option to try to create their own employment in small private or community-based enterprises.

Stimulating Entrepreneurship.
Some new economic opportunities will naturally occur as the present recession ends; some will come about as a result of the growth of new industries, notably oil and gas. Other opportunities, however, can be created by the initiatives of local people themselves. In one important way, the supply and demand model of the labour market is over-simplified. People are not inevitably restricted to filling job slots that are made available to them by others. They also have the option to try to create their own employment opportunities through their own initiatives. In Newfoundland, our educational institutions do not equip us well for exercising this option.

By 'entrepreneurship', we are not referring only to the business sector of society. Rather, we use the term in a generic sense to refer to new initiatives for creating productive enterprises, typically involving some degree of innovation, risk-taking and capital investment. In a capitalist society such as Newfoundland, the business sector, both small and large, is generally the main well-spring of entrepreneurship. But other sources of entrepreneurship can be important as well: co-operatives, development associations, unions and public agencies. Producers' co-operatives, for example, should be viewed as businesses which are owned by the employees themselves. To succeed, they must be 'entrepreneurial'.

In our travels around the province, the Commissioners heard many tales of thwarted entrepreneurship, of business ventures and other initiatives that had looked promising but had either failed or never got off the ground. Business failures are a normal part of the private enterprise system. But by 'thwarted entrepreneurship' we mean something else. We mean ventures that fail, or never even get started, for the wrong reasons: because the entrepreneurs have been poorly trained, because of a scarcity of start-up capital that should have been available, because government regulations and red tape have been a burden too great for the entrepreneurs to bear. More stimulation and active encouragement of entrepreneurial initiatives can contribute very positively to long-term job creation in Newfoundland. We discuss this further in Chapter 11.

A Pragmatic Approach.
Newfoundland's unemployment problem is too serious for job creation opportunities to be lost because they are incompatible with a particular set of ideological predispositions or beliefs. Some of our ideas for increasing spin-off benefits from multi-national corporations operating in the province, and for stimulating the small business sector, are compatible with a private enterprise philosophy. Others for strengthening the co-operative movement, and for a new job creation programme for young people in the public sector, are in keeping with a collectivist philosophy. The important issue is not political philosophy but rather the immediate need to stimulate enterprise and create jobs.

Such a pragmatic approach has another big advantage as well. Independent of any political party or any social class, it should appeal to all segments of Newfoundland society: business, labour, educators, development associations, unemployed people and each order of government – municipal, provincial and federal. We need a 'made-for-Newfoundland' approach that can unite all segments of the population in a frontal attack upon the unemployment, underemployment and poverty that plague the lives of too many of our citizens. And we need to be confident in ourselves. Together, we can substantially reduce unemployment.

An Optimistic View.

Too many Newfoundlanders today are sceptical, negative, cynical or pessimistic about the future, for themselves and their society. Such negative attitudes have a dangerous tendency to become self-fulfilling. If people expect the worst, the worst is only too likely to happen. A major cause of this negativism is psychological dependency, which in turn is a product of the real economic and political dependency of so many Newfoundlanders upon outside institutions over which they have little control. In particular, people have become too dependent upon government and, when things go wrong, they look to government to solve their problems. They blame the government for their personal troubles.

Governments do have much for which they are culpable but, in the view of the Commission, they should be blamed not so much for failing to solve everybody's problems - a highly unrealistic expectation - as for failing to provide the opportunities and support mechanisms which would allow people to solve their problems for themselves. **It is mainly through the self-help efforts of thousands of Newfoundlanders in hundreds of communities that new initiatives can be taken and new jobs created.**

There is a kind of chicken-and-egg problem here. In order to succeed, a nation (or a province) needs to have confidence in itself and to approach the future with optimism. The reconstruction of West Germany and Japan since World War II are dramatic examples of how a positive approach can produce successful results. Examples closer to Newfoundland are Norway, Iceland, and the Faroe, Shetland and Orkney Islands. These were all poor societies at the turn of the century but, through their own devices, they have all become prosperous, literate, high-employment societies during the course of this century.

How does a society achieve the confidence it needs to succeed? In Newfoundland, current social conditions of unemployment and dependency undermine the confidence and optimism needed to overcome these selfsame problems. There is no easy answer to this dilemma, but people need not be simply the passive pawns of their circumstances. We require a collective act of will, directed by progressive and constructive leadership at local, regional and provincial levels. Fortunately, post-Confederation improvements in education, the growth of a more professional public service, the maturing of local government, the growth of the labour movement and business associations and the new assertiveness of the rural development movement, provide the ingredients for this leadership. To take the last of these as one encouraging example: the Commissioners received several briefs from regional development associations from all parts of the province. Most of these were well-written, articulate, well-researched and displayed a clear sense of purpose and direction. They expressed a sense of frustration about their own dependency upon short-term government-sponsored make-work programmes and a determination to strive for long-term development and employment creation in the future. In our development associations, municipal governments, vocational schools and several other organizations, we already have capable leaders in every region of Newfoundland. The trick is to translate the social progress of the past

20 years into economic progress. Chapter 10 contains several suggestions as to how this might be done.

The Commission is convinced that there are real grounds for confidence and optimism about the future of Newfoundland society. We have identified many wrongs that should be righted in order to encourage the fledgling initiatives and untapped opportunities that have been pointed out to us. We hope that our Report will contribute to a new sense of optimism which will itself be an important ingredient in our recipe for positive economic and social change. Change should not occur in an *ad hoc*, piecemeal fashion, but rather as part of an integrated strategy.

An Integrated Strategy.

Past efforts at dealing with Newfoundland's economic and employment problems have lacked co-ordination and integration. Within the provincial government, the policies and programmes of each line department have been formulated in isolation from other departments. Rural Development, for example, has proceeded on its way with too little contact with Fisheries, Forestry, Education and Labour. Provincial Fisheries and the federal Department of Fisheries and Oceans (DFO) have too often been at loggerheads, and DFO itself in Newfoundland is divided between a Newfoundland region administered from St. John's and a Gulf region administered from Moncton, New Brunswick.

The problem is not confined to government. Newfoundland has had a fisheries college since 1964. It also has one of the world's largest fishing companies, Fishery Products International (FPI), made up of the former Fishery Products, the Lake Group and a number of smaller companies. But there has not been enough co-ordination of the college's programmes with FPI's need for trained trawler captains, fish plant managers and workers in its plants. Memorial University has operated an extension service since 1959, but it lacks a community economic development programme to train its field co-ordinators; the poorly paid co-ordinators have been unable to establish an effective liaison between regional needs and the human resources of the university, and there is little co-ordination between MUN Extension and government field officers.

The labour movement in Newfoundland feels alienated from business and government, and the business community in turn feels alienated from labour and government. The mutual hostility, mistrust and suspicion that characterize labour relations bode ill for a peripherally located province that must take a co-ordinated approach to industrial development if it hopes to succeed in an increasingly competitive international environment.

Other institutions in our society are similarly afflicted by distrust and suspicion when what is needed is co-operation and mutual effort. Despite there being provision since 1980 within provincial legislation for the formation of regional governments, old jealousies and rivalries among adjacent communities have precluded the formation of any such governments in the province. Yet, as we shall argue, a regional approach to development holds great promise for alleviating unemployment in small communities.

It would be hopelessly idealistic to suggest that all the various elements of Newfoundland society, with their different interests and points of view, can come together in perfect harmony. There is, however, an overriding mutuality of interest in promoting economic development, employment creation and improvements in people's standards of living. New links that will permit co-ordination must be forged if these shared goals are to be achieved. This Report will outline an integrated strategy for tackling unemployment that will include several recommendations as to how to achieve improved co-ordination among the groups and institutions that constitute Newfoundland society.

What do we mean by an integrated strategy? We mean that the various initiatives to be undertaken should fit together and mutually reinforce each other. The education system, for example, should teach young people about provincial and regional development and entrepreneurship; government policies for the inshore fishery should complement local initiatives for employment creation; the income security system should encourage people to work, and labour relations should allow for both job security and high productivity. An integrated strategy comes from a clear sense of purpose, and a 'gearing up' and harmonizing of the various institutions of society so that this purpose can be achieved. This strategy cannot be explained in a few pages, but it will become clear as our analysis unfolds.

Commitment to Full Employment.

Few of the ideas included in this Report originated with this Commission. Many Newfoundlanders in many parts of our province have been making such suggestions, some of them for many years. What is new here is the contention that these several ideas, which in the past have been fragmented and disparate, should be brought together in a co-ordinated and integrated strategy oriented towards a clear conception of the type of society we aspire to be in the future. This in turn requires an act of imagination and an act of will. We have to take the eradication of unemployment and the commitment to full employment as a societal and political goal to be sought by all means possible. By 'full employment' here we do not mean that everyone would have a permanent, year-round job, but rather we mean full employment in a Newfoundland sense. Many people, particularly in rural areas, would continue to pursue a seasonal round, with periods of self-employment, paid employment, household production and, when necessary, some income supplementation. But there would be more work, more earned income and less dependency upon government transfers than at present, and even the 'official' unemployment rate would decline significantly. The Report of this Commission should be seen as a **means** to this end, as a **plan** for the government and the people of Newfoundland which will create a more productive and more prosperous society. This plan would provide the dignity of meaningful employment (whether in their home community, elsewhere in Newfoundland, or elsewhere in Canada) for the great majority of citizens who seek it.

The Commission has taken as our focus neither the belabouring of the ills of unemployment, nor the identification of specific employment generating projects (a wilderness camp for Buchans, a miners' museum for Bell Island, a caviar plant for the Great Northern Peninsula, a sawmill for Port Hope Simpson, and so on), but rather the implementation of mechanisms, structures, policies and programmes whereby such projects can be initiated and acted upon. Newfoundland suffers, not so much from a dearth of ideas, as from inadequate means of implementing those ideas which hold promise for economic development and employment. To solve our society's unemployment problem, we must carry through a number of fundamental changes in our approach to industrial development, our regional organizations, our education system, our industrial relations system, our income security system, and also in the policies, programmes and delivery systems of government. This Report offers a blueprint for such change.

PART 1

Perspectives on Employment, Unemployment and the Newfoundland Economy

Part I of this Report contains the underlying reasoning behind the sectoral analyses and recommendations of Part II and the proposals for an integrated employment strategy in Part III. It provides three perspectives on the Newfoundland economy: first, a brief historical overview, tracing a century-long search for industrial development; next, a statistical profile and analysis of employment and unemployment in contemporary Newfoundland, emphasizing in particular the dynamic nature of the Newfoundland labour market and the need for care in interpreting official statistics about employment and unemployment; and, finally, in the most technical chapter of the Report, the Newfoundland labour market is examined in terms of standard economic models, and a modified model (which takes into account the importance of both household production and transfer payments) is developed in order to explain the distinctive features of the Newfoundland labour market. This section of the Report is **diagnostic**. It diagnoses both the weaknesses and the potential strengths of the Newfoundland economy as a prerequisite for the proposals and recommendations prescribed in Parts II and III.

CHAPTER 2

In Search of Development: An Historical Perspective

Any attempt to deal with Newfoundland's employment and unemployment problem needs to be based upon a clear understanding of the development path that Newfoundland should pursue. For more than 100 years we have followed an industrial model of economic development based on the experience of Britain, the United States and central Canada. This attempt has produced some partial successes, but in many ways it is inappropriate for a small, peripherally located society distant from the major market-places of the world. There are lessons to be learned from history. Our aim in this chapter is to investigate these lessons for Newfoundland through a brief overview of our society's search for development during the past century. We shall see how an emphasis on large-scale manufacturing and resource extraction at various times has led to some successes, but also to many failures. At the same time, relative neglect of the strengths of the outport economy and the fisheries has contributed to the rural unemployment problem that plagues Newfoundland today.

Types of Social and Economic Organization

Throughout this Report, several references are made to different types of social and economic organization. It is important, therefore, that we be clear from the outset about what we mean by the different terms used here. There are three important distinctions: rural/urban, non-industrial/industrial and non-market/market. While there is no clear-cut line between rural and urban communities, we know that in the Newfoundland context, the cities of St. John's and Corner Brook are clearly urban and small fishing villages such as Ship Cove and Francois are clearly rural. Between these two extremes are hundreds of small villages and several medium-sized towns such as Lewisporte, Stephenville and Happy Valley-Goose Bay. Some small villages, such as Torbay and Summerside, are close to urban centres and many of their residents commute to urban jobs on a daily basis. For convenience, unless otherwise stated, we shall assume throughout this Report that by 'urban', we mean communities of 5,000 people or more and by 'rural', communities of less than 5,000 people. We shall use the terms 'non-industrial' and 'industrial' to refer to different ways in which economic production is organized. Non-industrial production takes place within households or through informal groups of people recruited through kinship and friendship networks. Industrial production takes place in larger, more formal organizations, such as fish plants, mines and paper mills. One such crucial distinction is to be found in the fishing industry, where trawlermen work in the industrialized, and small-boat fishermen in the non-industrialized, part of the industry.

The distinction between 'non-market' and 'market' refers to the destination of what is produced. Non-market goods and services are consumed directly by the people who produce them, or are distributed informally as gifts or exchanges 'in kind' between friends and relatives. Market goods and services are produced for sale in the market-place in return for money. Virtually all industrial production is for the market, while non-industrial production may be either for the market or for direct consumption within the producer's household or community. Alternatively, non-industrial production may be referred to as 'domestic' or 'household production'. These distinctions are important for understanding the Newfoundland economy and how it works.

The Search for Development: Pre-Confederation

The search for economic development started in Newfoundland in the years between 1855 and 1895 with the establishment and development of responsible government, which gave the new dominion the political instruments with which it could begin to formulate national economic policies and put them into operation.[1] The government, recognizing that the traditional fishery was approaching the limits of extensive growth and market saturation, sought to modernize the fishery and develop new sectors of the economy. To achieve this, Newfoundland followed the Canadian model of redirecting the economy away from simple export-led growth to import substitution, with a 'made-for-Newfoundland' national policy. As in Canada, this policy was based on attempts to develop inland agricultural settlement, foster industrial development and put in place the infrastructure that would be required to support such development (See Table 2.1).

Table 2.1
The Newfoundland 'National Policy'

1870s—1890s

Inland Settlement

1873	Homestead law
1875	Bounty to encourage land clearance
1880	Act to facilitate licences to settle farm families
1884	New homestead law, surveying interior into sections
1886	Act to promote agriculture, to establish districts and to appoint commissioners
1889	Board of Agriculture and its model farm, agricultural societies and stock and seed improvement projects.

Industrial Development

1873	Act to establish the legal framework for limited liability
1877	Act to encourage manufacturing, with drawbacks on imports of materials used in manufacturing fishing gear
1891	Act to authorize a fund for an industrial exhibition in St. John's
1870s to 1890s	Occasional tariff protection for manufacture of various items including boots, shoes, tobacco, textiles and cooperage at 13 per cent (1870) and 22 per cent (by 1890)

Infrastructure

	Railway
	Dry dock
	Gas, lighting, sewerage, water and electricity in principal urban centres.

In light of the conventional wisdom of that era, the plan was a classical development strategy, which had proven itself successful in Canada, Argentina and Australia. In Newfoundland, however, the strategy was not very successful. By the mid-1890s, the dominion was in financial and commercial crisis, per capita income was falling and it had become obvious that the economy could not sustain the population at existing levels of natural increase.

The failure of Newfoundland's first development plan in the 1890s holds some lessons for Newfoundland in the 1980s, because it points to some basic misperceptions of our potential for development that remain with us to the present day. With the benefit of hindsight, we can see that what was tried focused more on Newfoundland's weaknesses than its strengths. For example: Why go into debt to build a railroad when coastal transportation was well-established and cheaper? Why invest scarce public monies in opening ill-defined interior resources which had not been well explored? Why push for agricultural development on a large scale when to do so was expensive and the end result would be non-competitive in distant markets? In manufacturing, the Newfoundland market was too small to maximize efficiency, and tariffs and subsidies lowered the standard of living for many Newfoundlanders. The best hope would have been to develop fisheries-related manufacturing and processing where Newfoundland did enjoy some comparative advantages, but the business and government leaders of the day were more interested in new resource and manufacturing possibilities than in modernizing the fishing industry.

The turn of the century saw a shift from small- to large-scale resource industries and primary manufacturing, but Newfoundland entrepreneurs lacked the requisite capital and technological knowledge to pursue this on their own. As the American and British industrial economies grew, however, they needed massive inputs of raw materials, and firms were created which offered management skills, capital, technological expertise and marketing skills to resource-rich underdeveloped nations. Thus were developed Chilean nitrates, Malayan rubber, Ceylonese tea, Brazilian coffee - and Newfoundland resources. Hence, in less than a decade (1905 to 1912), the following were established:

1905	the Anglo-Newfoundland Development (AND) Agreement
1906	the Marconi Agreement
1910	the Newfoundland Exploration Syndicate
1910	Newfoundland Oilfields Ltd. (London)
1911	British-Canadian Explosives Co. (London) Ltd.
1911	International Carbonizing Co. (London)
1912	American Newfoundland Pulp and Paper (Grand Rapids, Michigan)

Newfoundland provided the resources and unskilled labour as well as concessions on taxes, royalties, import duties and, on occasion, subsidies.

Thus began a pattern of outside ownership of Newfoundland's resource industries which has persisted ever since. With a few notable exceptions, it has not provided the level of development that was sought. By 1914, for example, all that had been gained was the Grand Falls mill through the AND Agreement. In retrospect, we should not be surprised by this, because it was in North Atlantic marine resources that Newfoundland had its comparative advantage, having the lowest-cost access to the largest supply of cheap protein in the world.

The fisheries, however, were all but ignored, despite the warnings and advice of Sir William Coaker. Quality fell and with it prices; diversification into species other than cod was not encouraged; the offshore fleet was not expanded; investment in middle-distance gasoline vessels and stern trawlers did not occur in Newfoundland (though it did in Iceland). Briefly, the capital investment needed to modernize the inshore and offshore fisheries, establish modern processing plants and diversify into fisheries-related manufacturing was not forthcoming, either from the state or from private enterprise. Outport families, dependent upon merchants in the non-cash truck system, had no capital to invest. Newfoundland was looking to landward industrial development.

During the first half of the twentieth century, the dominion did undergo a major structural shift out of the primary sector into development of the service sector, along with some secondary sector growth. At the same time, agricultural output, always weak, showed some growth and forestry rather more, although the inter-war period forced reliance on the small domestic market. Really important were the pulp and paper mills at Grand Falls and Corner Brook: so much so that by 1938, Newfoundland lumber wages were 21 per cent higher than those in Canada – a good job in Newfoundland was known as a 'Grand Falls job'. By 1939, lumber output was one-third of the value of all goods production here, though much of the input was purchased from outside Newfoundland and the industry was foreign-owned, export-oriented and therefore reliant on external demand and external decision-making.

In mining it was a similar story. At one time, during the age of sail, Newfoundland was the fourth-largest copper producer in the world. The modern mining industry started in Newfoundland in 1895 with the opening of the Bell Island mines, owned by the Nova Scotia Steel and Coal Company. The company controlled its operations and processed its output in Nova Scotia, so multiplier effects were negligible in Newfoundland, which provided the resource and a relatively unskilled pool of local labour. Workers operated on two seasonal shifts: one worked the mines in the summer and cut wood in the winter; the other fished in the summer and mined in the winter. Almost no taxes or revenues accrued to the Newfoundland government. By the end of the 1930s, the predominance of Bell Island ore exports declined as world markets shifted. New mines had also opened up, at Buchans in 1928 and at St. Lawrence in 1933. Local spin-offs remained sparse. In 1935, mining contributed only five per cent of total earnings in Newfoundland, although it contributed 18 per cent of all goods production. By 1937, total gross output per capita from all sectors was $330 in Canada, $140 in the Maritimes and only $80 in Newfoundland.

In the meantime, Newfoundland outports continued to prosecute the inshore fishery. Several related points need to be made here. First, the 'outport' and the 'fishery' are not necessarily synonymous, although that is a common misperception; secondly, we have to remember that there were several fisheries in Newfoundland and it is misleading to think only of one uniform pattern; thirdly, we still know far too little historically about the fishery in terms of local details, and lastly, there has been little research on the history of the outport as an economic system. In other words, the lack of understanding of the modern Newfoundland outport that we refer to in Chapter 4 is echoed in our lack of understanding of its historical roots: the outport of earlier times, like that of the present day, has received inadequate attention. This is unfortunate, because what we do know points to the existence of a functionally sophisticated mode of life in which ecology, community and economy were woven together in such a way as to produce a highly flexible system capable of sustaining generations of Newfoundlanders in the face of shifting markets, cyclical downturns in the world economy, changing technologies and new government policies. Outport Newfoundlanders historically made rational economic decisions about their lives and communities which maintained their viability, albeit at a low standard of living, over a period of 200 years and more.

The challenge which outporters have had to face from the beginnings of permanent settlement is the same challenge that they face today: how to create a viable, year-round economy in the context of an economic base rooted in a seasonal fishery which extends over only three to four months of any given year. The solution was to create supplementary sources of income such as gardening, sealing, woods work, trapping, hunting and a variety of other activities. The farther north the settlement, the less important the fishery and the more vital these other parts of the economy.

In the typical outport, there were property rights (upheld by usage and custom) to land, including the house and garden, and to the fishing 'room' (flakes, wharf, stage and mooring site). In some places and in some fisheries, informal rights to particular parts of the fishing grounds, or to seal and/or cod-trap 'berths', were recognized, as were rights to trapping grounds in some areas. Communal pastures for each community were defined and acknowledged. The outport should be thought of as a small-scale non-industrial enterprise system, not just as a place of residence. Tenure and inheritance rights controlled the transfer of property and the growth of settlement, influencing demographic responses such as marriage and migration.

The basic economic unit, to be thought of in the same way as the firm is considered in industrial economies, was the household, which packaged the income and income-in-kind from not only the fishery but also a range of seasonal occupations. Money income was as vital in the past as it is in the present. It was the prime mover of the total household economy. This is why the fishery was so crucial to the outport, and why sealing has likewise been vital in some areas. The income that was generated when the household sold its fish to the merchant in exchange for goods to be used as inputs in the household's non-cash economy was essential; in the case of sealing, actual cash income was received. The incomes earned by the household then created a local multiplier effect that was often considerable.

Thus, it is legitimate to think of the household as a **fishing enterprise** in the first instance, but it is inadequate to think of it merely as such. The system was much more complicated than that. Outporters made precise judgements about supplementary income in the past, just as they do today. Then, as now, the process was one of a careful appraisal of opportunity costs. If there was a substantial debt on the merchant's books, wage employment became a necessity: a lumber camp job, for instance. But such a choice meant leaving the outport, and that meant that subsistence activities had to be forfeited – hay or firewood might go uncut, or gardens might not be 'set', depending on the season. If no other household member could perform these tasks, the fuel, food, or whatever would have to be purchased from the store, or from other households, or someone would have to be paid to do the work. All of this meant that extra income would be needed. The question then, as now, was: "Which will give me a better trade-off – a cash job elsewhere, or staying home and keeping up the household economy?" Only if there was extra adult labour in the household could an ideal solution be found, by sending an adult member away to work for cash, which was then sent back home. In other words, even migrant labour did not really break with the household economic unit. This pattern, still extant today, is rooted in Newfoundland culture and helps to explain why Newfoundland labour-market behaviour remains so intransigent in the face of crisis-level unemployment rates.

In the past, the limiting factor on earned income was the ability to settle the household account in the merchant's store. Today a much more complex decision has to be made, one that goes well beyond an entry in the store's account book, since outport consumers' desires and choices have expanded immensely in the last 40 years. Nonetheless, the history of the household economy is the history of rural business enterprises, viable and flexible ones, operating in a family and community nexus and attached to the international economy through the merchant's store. But such a business could not operate on a genuine profit motive for fishing households because of the credit system, the lack of cash and the lack of real consumer purchasing choice. Rather, it operated on a 'balanced budget' ethic. Except for merchants, profits – or often even savings – were unattainable for the outport household, given the system as it was until Confederation.

Finally, in this historical look at the Newfoundland outport, we should note that the system also had its weaknesses. The lack of savings meant that the outport household was always vulnerable to disruption from a bad season in the fishery, either because the fish failed to come inshore or because of poor markets. During the Depression of the 1930s, several bad seasons reduced income to very low levels for many households and the financially strapped Newfoundland government provided only a bare minimum of income support. The paucity of capital accumulation also meant that outporters lacked the means to diversify their economy at the local level, and public policy was too fully committed to large-scale industrial schemes for it to contribute much to alternative rural development. Confederation was to prove a boon to the immediate cash needs of outport households, but not to rural development, either in the fisheries or in alternative small-scale enterprise.

The Search for Development: Post-Confederation

Upon Confederation, then, there was a kind of duality to the structure of the Newfoundland economy. The growth industries were those based on foreign investment – lumber, pulp and paper, mining – with all the attendant benefits and problems that such growth entailed. The traditional economy, seen from the perspective of the fishery's contribution to provincial growth, was stagnant at best. It was seriously undercapitalized and technologically underdeveloped, as the Amulree Commission had remarked in the 1930s. Nonetheless, this sectoral failure disguised the existence of a persistent rural economy, based on a different set of premises from the industrial world.

Confederation should have represented not only a political change for Newfoundland, but also an economic one. Because it was now part of a larger and much more powerful economic unit that had an avowed commitment to sharing the wealth of the Canadian nation, the future for Newfoundland looked bright. In terms of social amenities, this proved to be the case, but not so for the underlying economic reality. The 1950s were to prove remarkably similar in economic philosophy to the first development drive of the late nineteenth century. Again, the traditional economy was neglected; again, the mainland model with its urban-industrial thrust was adopted as the only desirable development mode, and again, the creation of a secondary manufacturing base was sought. As had happened in the 1890s, the effort succeeded to a limited degree only, despite the arrival of new manufacturing ideas, mostly under European direction (See Table 2.2). The small domestic market proved to be a problem once more, and now the loss of protection from the larger central Canadian firms that was implicit in Confederation made such experiments even more difficult. Worse still, many established small local manufacturers also failed as the removal of tariffs and the application of federal transportation subsidies opened the Newfoundland market to Canadian business penetration rather than the other way round. With some exceptions, notably fish and wood processors, Newfoundland manufacturers were unable to survive the full impact of Canadian competition.

By 1956, with no cash surplus left from Confederation, the new manufacturing push died, to be replaced (as had also happened at the beginning of the century) by a shift to large-scale resource development. Again, subsidies, tax concessions and the like were used to attract Canadian and multi-national investment and, again, little was gained in the way of provincial revenues. Employment levels rose less than had been hoped, and what demand there was, was largely for unskilled labour. Nevertheless, the strategy had some success, especially in the short run. The creation of the iron ore mines in Wabush and Labrador City, the huge hydroelectricity generating plant at Churchill Falls, the linerboard mill at Stephenville and the oil refinery at Come-by-Chance created much temporary employment in their construction, and some permanent employment in their operational, phases. The appearance of affluence was further enhanced as federal money poured in to build up the new province's infrastructure of roads, schools, hospitals and modern recreational facilities. The short-lived nature and vulnerability of this resource industry and construction boom were not foreseen at the time. The present ownership structure of Newfoundland's main industries (See Table 2.3) is representative of the considerable degree of external ownership still extant in the province.

Meanwhile, the outport economy was neglected. To a large extent, it was seen as simply anachronistic, as something that would wither away and die as the province achieved large-scale industrialization. The sudden influx of cash from federal transfer payments (the 'baby bonus', the Unemployment Insurance [UI] cheque, old age pensions) benefitted every rural household, but it had another hidden effect: it undermined household production and reduced self-reliance. The household production/wage labour calculation shifted towards the latter but, in the absence of other wage alternatives, increased reliance and pressure were placed on the fishery as a full-time occupation. The government's expectation was that the small-boat inshore fishery would become a relic of the past as new small-scale manufacturing and large-scale resource projects became the motor power for the new Newfoundland. Small fishing villages were to be resettled into regional growth centres and fisheries development would be concentrated upon the more industrialized offshore fishery.

By the early 1970s, however, the construction boom had fizzled out and the image of an industrialized Newfoundland had become tarnished. Rather than fade into historical oblivion, the outports adapted and, in many ways, thrived during

Table 2.2
Manufacturing Industries Established in Newfoundland in the 1950s

Name	Opened	Investment	Status
North Star Cement (Corner Brook)	1952	Government Funded	Successful.
Newfoundland Hardwoods (Donovans)	1952	$4 Million	Successful.
Atlantic Gypsum (Corner Brook)	1952	Crown Corporation	Successful.
Atlantic Hardwoods (Donovans)	1952	$1 Million	Originally destroyed by fire. Refinanced and established as Newfoundland Fibreply.
Superior Rubber Company (Holyrood)	1953	$2 Million	Closed 1956.
Newfoundland Tanneries (Carbonear)	1952	$300,000	Closed 1957.
Atlantic Gloves Ltd. (Carbonear)	1956	n/a	Closed 1957.
Koch Shoes Ltd. (Harbour Grace)	1953	$1.5 Million	Original operation closed. Refinanced. Today successful as Terra Nova Shoes.
Gold Sail Leather Goods (Harbour Grace)	1957	n/a	Closed 1960.
Canadian Machinery and Industry Construction Ltd. (Octagon Pond)	1952	$2.5 Million	Original operation marginal. Now operates as Easteel Industries (1984) Ltd.
United Cotton Mills (St. John's) and	1952	$2 Million	Sold to three St. John's businessmen for $1 Million, early 1960s. In receivership, as of August 1986.
Terra Nova Textiles Ltd. (St. John's)	1954	n/a	
Hanning Electric Co. (St. John's)	1953	n/a	Closed.
Eckhardt Knitting Mills Ltd. (Brigus)	1955	n/a	Closed.
A. Adler of Canada Ltd. (Adler's Chocolates) (Bay Roberts)	1956	$550,000	Closed.

n/a: not available

Table 2.3
Ownership of Selected Industries in Newfoundland

(Per cent)

Brinco Limited	51.1	Reichmann Group (Canada)
	24.4	Rio Tinto Zinc Corporation PLC (Great Britain)
American Smelting and Refining Company ASARCO Incorporated	56.0	ASARCO Incorporated (United States)
(Canadian Branch)	17.3	MIM Holdings (Australia)
[MIM Holding Limited	44.0	ASARCO Incorporated (United States)]
Baie Verte Mines Incorporated	100.0	Transpacific Resources Incorporated (Canada)
[Transpacific Resources	47.3	Yorkton Securities (Canada)]
[Yorkton Securities	100.0	Yorkton Holdings (Canada)]
Abitibi-Price Incorporated	93.2	Reichmann Group (Canada)
Ultramar (Canada) Incorporated	100.0	Ultramar PLC (Great Britian)
National Sea Products	3.9	125457 Canada Limited
	13.4	1558731 Holdings Limited
	5.8	Isleview Investments Limited
	23.8	Minas Basin Investments Limited
	28.5	North Sydney Investment Limited
Corner Brook Pulp & Paper Holdings Limited	98.1	Kruger Incorporated (Canada)
Fishery Products International	62.6	Government of Canada
	26.2	Government of Newfoundland
	11.0	Bank of Nova Scotia
Electric Reduction Company (ERCO)	99.9	Tenneco Incorporated (United States)
Newfoundland Light & Power		9.4% of shares owned in Newfoundland; 24.7%, Maritime Provinces; 11%, Quebec; 46.2%, Ontario; and 8.1%, Western Provinces.
Iron Ore Company of Canada (IOCC)		A consortium of American (77.3%) and Canadian (16.6%) companies, and IOCC itself (5.8%)
Newfoundland Telephone	53.3	Bell Canada, 10.6% Canadian Depository for Securities Limited

Source: Fishery Products International; Newfoundland Light and Power 1985 Annual Shareholders' Report; Statistics Canada 61-517.

Newfoundland's rapid modernization. The outporters simply exploited new opportunities for eking out a living. Seasonal construction work fitted nicely into the pattern of occupational pluralism and the younger male members of rural households could find well-paying work in western Labrador for a few years before returning home to invest their savings in housing, fishing and various small enterprises. Federal transfer payments, especially UI, provided a welcome underlying security such as outport Newfoundlanders had never known before. They were not wealthy by mainland standards, but the spectre of dire poverty and destitution was eradicated from most of rural Newfoundland. With this new infusion of cash income, domestic production for the household's own use declined. People now buy most of their clothing and food; home gardening and sheep- and cattle-rearing have been much reduced. Many people, however, do continue to build and repair their own houses (Newfoundland has the highest rate of home ownership in Canada); cutting and burning one's own firewood has come back into vogue since the world energy crisis sent oil and electricity prices soaring, and people continue to augment their diet by game that they hunt, berries they pick and vegetables they grow for themselves.

Since about 1970, however, the outport economy has suffered several set-backs. The promised industrialization, which was to ensure jobs for the next generation of Newfoundlanders, failed to materialize. Mechanization within the woods industry drastically reduced the number of seasonal and full-time jobs in logging. The end of the infrastructural and industrial construction booms meant lower employment, with full-time unionized tradespeople vying for the few jobs that remained. Unemployment on a large scale was threatening. During the 1970s, this threat was staved off in three ways: out-migration, government-sponsored make-work projects and the old stand-by, the fisheries.

Ironically, the economic threat to outport Newfoundland after 1970 coincided with a change to a new provincial government which officially supported rural Newfoundland, the dispersed pattern of settlement and the outport way of life. The new government set up the Department of Rural Development and provided support for a system of regional development associations in the province. At the same time, the federal government was also instigating new initiatives designed to promote regional economic development in Canada. The federal Department of Regional Economic Expansion (DREE), established in 1969, had as part of its mandate the provision of incentives and programmes which would stimulate economic activity in the 'have-not' regions of the country. DREE was not, however, geared to the specific problems of outport Newfoundland. Rather, it was guided by a growth-pole philosophy, which led it to invest more in larger regional centres, including St. John's, than in the outports. DREE's successor, the Department of Regional Industrial Expansion (DRIE) is less explicit in its philosophy. Both orders of government, however, have contributed to an implicit centralization philosophy by concentrating their administrative offices in larger regional centres. Many private service agencies have followed suit, thereby reducing the growth of service-sector jobs in small communities.

A succession of other federal programmes, however, including the so-called job creation or make-work programmes which have gone under various names (Local Initiatives Program [LIP], Young Canada Works, Canada Works, Local Employment Assistance and Development [LEAD] Program and others) have had a rather different, but very profound, impact upon life in rural Newfoundland. In combination with the UI system, they have become the economic mainstay of some individuals and households. Some outporters get by on a combination of short-term employment and UI benefits. Each year they look for at least 10 weeks' work either in a fish plant, with a local shopkeeper or on a make-work project (20 weeks are required for first-time qualifiers), which then qualifies them to receive UI for the rest of the year. During the 1970s, and even more so during the 1980s, make-work projects and the 'ten-week syndrome' have become a part of outport life. For the people involved, this is simply one more in a long line of rational economic adaptations to the few economic opportunities available to them.

During the 1970s, two other options were also open to Newfoundlanders. The first was out-migration. People could move out of the province to find jobs in the growing industries of Ontario and Alberta: and move they did. Thousands of Newfoundlanders went to Fort McMurray, for example, to fill construction and operations jobs at the giant oil-sands plant there. As of 1981, there were some 4,275 Newfoundlanders, 14 per cent of the town's population, living in Fort McMurray.

The last option was to fall back upon the old stalwart, the fishing industry, finding employment either in the harvesting or in the processing sector. The declaration of Canada's 200-mile limit in 1977 gave Newfoundlanders new hope in this old industry, an optimism that seemed well-placed during a mini-fishing boom, in 1979, which was fuelled by an exceptionally large squid catch destined for sale in an expanding Japanese market. Both governments contributed to the new optimism in the fishery by providing grants and loans for increasing capacity in both the harvesting and processing sectors. The sealing industry also enjoyed a revival in the 1970s and was particularly important for midshore longliner fishermen along the northeast coast. Sealing provided a source of cash in the spring to finance the summer and fall fisheries and to help pay off the debt on fishermen's boats and gear. The number of registered fishermen shot up from 15,802 in 1975 to 35,271 in 1980 (many of these were not active fishermen) and the number of plant workers increased from 10,283 in 1975 to 21,064 in 1980. The number of fish plants, a key indicator of the optimism that was felt, grew from 110 in 1975 to 175 in 1980. This growth provided employment and cash income for thousands of outport women. It was the beginning of large-scale paid employment for women in rural Newfoundland. Many women also found new opportunities on make-work projects.

The period from 1980 to 1985, however, has witnessed the undermining of these last two adaptive responses of outport Newfoundlanders that had been successful during the 1970s. The recession cut employment prospects in central and western Canada. Many Newfoundlanders who lost their jobs on the mainland came back home, indicating that they felt it was better for them to be unemployed in rural Newfoundland than in urban Ontario or Alberta. Here at least they could afford to own their own house, supplement their diet through production for their own use and enjoy the economic and social support of their relatives and friends. In the fishing industry, the boom of the late 1970s quickly turned to the bust of the early 1980s. Fish-processing companies overextended themselves, export markets went soft and the European Economic Community's (EEC) ban on seal imports destroyed that industry. Furthermore, to protect the fisheries resource, government policies became inimical to increasing employment in the fishery, particularly in the inshore harvesting and processing sectors.

Table 2.4
Growth Rates of Employment in Selected Industries

1971—1979, 1980—1985 (Per cent growth per annum)

	1971-1979	1980-1985
Forestry	+0.73	−4.27
Mining	+0.9	−10.04
Fishing[1]	+9.79	+2.33
Construction	0	−3.58

[1] Primary and secondary.

Note: Statistics for the primary fishery are not consistent between pre-1978, and post-1978, owing to a definitional change. This inflates the 1971 — 1979 statistic considerably, relative to 1980 — 1985.

Source: *Historical Statistics of Newfoundland and Labrador, (1985)*; growth rates prepared by Royal Commission on Employment and Unemployment.

The net result of all these factors in the recent past - failed industrialization, mechanization of the woods industry, the end of the construction boom, reduced opportunities for out-migration, the decline of the sealing industry, limits to expansion in fisheries employment at the same time as the labour force continued to grow (See Table 2.4) - is the high unemployment level that now characterizes rural Newfoundland (See Chapter 3).

Conclusion: Searching in Vain?

Since Newfoundland joined Canada in 1949, its development needs have been treated in the context of the overall Canadian economy. Attempts have been made to graft a large-scale industrialization model of development upon the province, but these attempts have met with limited success. In trying to fit Newfoundland into the Canadian economic framework, the self-reliant outport has not been envisaged as a realistic goal; urbanization and centralization strategies have epitomized the notion of economic development. Meanwhile, Newfoundland's unemployment rate has soared and per capita income remains substantially lower than the national average, despite huge federal fiscal transfers and a series of regional development programmes.

Present-day Newfoundland society faces a paradoxical situation. On the one hand, the province is more affluent than ever before; on the other hand, the local economy is weak and chronically depressed. The balance between consumption and production has never been achieved in the province. Governments have encouraged Newfoundlanders to desire the material goods promised by Confederation, but have been unable to help them develop their economy in order to supply these needs from their own enterprise. As citizens of Canada, Newfoundlanders enjoy the social security benefits of an advanced industrial nation; funding from Ottawa has helped to provide modern infrastructure, communications and transportation, educational opportunities and, indirectly, an occupational superstructure that resembles that of a developed country but lacks the requisite economic base.

Newfoundland ought to be well off: it has a small population and a relative abundance of natural resources. However, the province has reaped too few benefits from forestry, fishing, mining and hydroelectricity. One problem in Newfoundland is that the province, or its industrialists, have not developed their most valuable resources themselves; to a large extent, authority over these resources lies outside the province. Moreover, government itself has demonstrated little faith in the abilities of Newfoundlanders to develop their own resources. Another problem is that small-scale, rural development has not been encouraged as much as it should have been, and the attempts that have been made have been undermined by the short-term nature of job creation programmes.

The historical lesson of this chapter is that Newfoundland should pursue a balanced approach to economic development and employment generation. On the one hand, Newfoundland entrepreneurs should be encouraged to take the lead in provincial development by taking charge of their own destiny in various ways, ranging from participation (at least on a joint venture basis) in the major industries of the province, through the expansion of existing medium-scale operations, to the establishment of new small-scale enterprises. On the other hand, regional and community development initiatives, particularly those that promise long-term employment creation, should be given much higher priority than at present. These two approaches should be balanced and complementary, with government playing a more assertive supporting role than it presently does. The alternative is the persistence of high unemployment.

Notes

1. This chapter draws on the following:

D.G. Alexander, "Development and Dependence in Newfoundland, 1880-1970", in E.W. Sager, L.R. Fischer and S.O. Pierson (compilers), *Atlantic Canada and Confederation: Essays in Canadian Political Economy*, University of Toronto Press, 1983, pp. 3-31.

O. Brox, *Newfoundland Fishermen in the Age of Industry: A Sociology of Economic Dualism*, Newfoundland Social and Economic Studies, No. 9, Institute of Social and Economic Research, Memorial University of Newfoundland, 1972.

B. Bursey, "Economic Growth and Development in Newfoundland", Volume III, unpublished draft of background material prepared for the Economic Council of Canada, 1979.

S. Canning, "The illusion of progress: rural development policy since 1949", *The Canadian Forum*, March 1974, pp. 22-23.

R.E. Ommer, "What's Wrong With Canadian Fish?", *Journal of Canadian Studies*, Vol. 20, No. 3, 1985 Fall, pp. 122-142.

D. Simms, "Rural Development in Newfoundland: 'A Legitimation Crisis'", Background Report to the Royal Commission on Employment and Unemployment, 1986.

P.A. Thornton, "Jack of all Trades", Occasional Paper for the Royal Commission on Employment and Unemployment, 1986.

CHAPTER 3

Employment and Unemployment Today: A Statistical Analysis

> *The occurrence simultaneously of so many different factors that cause unemployment must be considered as unique and . . . probably will not occur again . . . (Newfoundland Royal Commission on Unemployment, 1958, p.11).*

The above quote is from the unpublished report of a Newfoundland Royal Commission set up during a period of record high unemployment in the late 1950s. By the late 1960s, the optimistic prognosis of the Commission appeared to have been correct, as economic growth picked up and unemployment declined sharply. Since then, however, unemployment in Newfoundland has risen dramatically to exceed the 1958 level and it seems less likely now that the unemployment rate will revert to the single-digit figures of the late 1960s.

While there is little doubt in anyone's mind that employment conditions in Newfoundland are deplorable, practically all industrialized parts of the world have been experiencing similar problems. Over the last couple of decades, the structure of the world economy has undergone rapid and fundamental change and one manifestation of this has been an almost universal increase in unemployment, particularly in Western Europe and North America. Table 3.1 shows that between 1974 and 1983, unemployment rates for the principal industrialized countries of the world increased dramatically: many countries experienced a doubling or tripling of their unemployment rates over that period, while some (the Netherlands, Denmark, the United Kingdom) saw their rates more than quadruple.

It is now becoming generally accepted that the dramatic job loss throughout the world is not simply a result of a deep international recession and that a cyclical upturn will not restore unemployment to historically 'normal' levels. Unlike the Royal Commission of 1958, this Commission suggests that there is little prospect of the economic recovery being strong enough to generate much new permanent employment. Our opinion is supported by many world authorities: the Organization for Economic Cooperation and Development (OECD), for example, has stated that merely to keep unemployment in the European Economic Community (EEC) at current levels would require Gross Domestic Product (GDP) growth of between 3.5 per cent and 4 per cent per annum – rates of growth which have not been achieved since the 1960s.

As we saw in Chapter 2, the ending of the resource and construction booms in Newfoundland and cut-backs in government expenditures have created new, and apparently intractable, employment problems in the Newfoundland economy. So it is within the context of both local and world-wide structural unemployment problems that this chapter documents employment and unemployment in the province in the 1980s[1].

Population and Labour Force Growth

In the census year, 1981, the population of Newfoundland was 567,681. Nearly 40 per cent of the province's population (225,048 people) lived in 14 urban centres of over 5,000 people. The rest lived in 709 communities of less than 5,000 people; 32 per cent of the total population lived in 631 villages of less than 1,000 people. These figures demonstrate clearly that Newfoundland is still predominantly a rural society (See Table 3.2). By 1985, as Table 3.3 shows, the population had increased to 581,000, of whom 422,000 people were of labour force age (15 years

Table 3.1
Growth in Unemployment Rates in the Industrialized World, 1974—1983[1]

(Per cent)

Nation	1974 Unemployment Rate	1983 Unemployment Rate	Change over Nine Years
A. European Economic Community (EEC)			
Belgium	3.1	14.3	361
Denmark	2.1	10.3	390
France	2.8	8.0	186
Ireland	7.9	20.8	163
Italy	5.4	9.9	83
Luxembourg	0.1	1.6	1,500
Netherlands	3.5	17.1	389
United Kingdom	2.6	12.9	396
West Germany	2.6	9.1	250
B. Non-EEC European Nations			
Austria	1.3	4.5	246
Finland	1.7	6.1	259
Iceland	0.4	1.0	150
Norway	1.5	3.3	120
Portugal[2]	1.8	7.3	306
Spain[2]	2.9	18.4	534
Sweden	2.0	3.5	75
Switzerland	0.1	0.9	800
Yugoslavia	9.0	12.8	42
C. Other Nations			
Australia	5.6	10.0	79
Canada	5.5	11.9	116
Japan	1.4	2.6	86
New Zealand	0.1	5.7	5,600
United States	5.6	9.6	71
D. Newfoundland	13.0	18.8	45

[1] It should be noted that the national unemployment rates quoted here are not standardized, and are derived by the International Labour Organization from a variety of national sources. Strictly speaking, rates between nations are not directly comparable. However, these data are used because, within each country, the measures used are consistent over time and increases in rates of unemployment can be highlighted.

[2] Joined EEC in 1985.

Source: Chris Palmer, "Perspectives on the Newfoundland Labour Market," Background Report to the Royal Commission on Employment and Unemployment (1986).

Table 3.2
Population Distribution of Incorporated and Unincorporated Communities by Size

Newfoundland, 1981

Distribution	Incorporated		Unincorporated		Totals	
	Number	Population	Number	Population	Number	Population
10,000+	7	176,935	—	—	7	176,935
5,000-9,999	7	48,113	—	—	7	48,113
4,000-4,999	7	30,285	—	—	7	30,285
3,000-3,999	6	21,021	—	—	6	21,021
2,000-2,999	18	44,458	1	2,292	19	46,750
1,000-1,999	45	59,396	1	1,081	46	60,477
500- 999	97	68,917	17	11,815	114	80,732
100- 499	115	37,820	257	56,339	372	94,159
1- 99	6	259	139	7,762	145	8,021
Total in Communities	308	487,204	415	79,289	723	566,493
Not in Communities						1,182
Total Population						567,681

Source: Newfoundland Statistics Agency.

Table 3.3
Number and Increase in Population, and Population 15 Years and Over

Newfoundland, 1966—1985

	Total Population			Population 15+		
	Number (Thousands)	Increase	Growth Rate[1] (Per cent)	Number (Thousands)	Increase	Growth Rate[1] (Per cent)
1966	493			292		
1971	522	29	1.1	327	35	2.3
1976	558	36	1.3	366	39	2.3
1981	568	10	0.4	395	29	1.5
1985	581	13	0.6	422	27	1.7
Increase 1966-1985		88	0.9		130	2.0

[1] Compound Annual.

Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.4
Labour Force by Sex

Newfoundland, 1975—1985 (Thousands)

	Total		Male		Female	
Year	Number	Growth	Number	Growth	Number	Growth
1975	176		121		55	
1976	181	5	123	2	58	3
1977	188	7	125	2	63	5
1978	194	6	127	2	67	4
1979	200	6	131	4	68	1
1980	205	5	132	1	73	5
1981	208	3	132	0	76	3
1982	209	1	130	−2	79	3
1983	214	5	134	4	80	1
1984	221	7	135	1	86	6
1985	224	3	135	0	89	3
Growth 1975-1985		48		14		34

Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.5
Participation Rates by Sex

Newfoundland and Canada, 1975—1985 (Per cent)

	Male			Female		
	Newfoundland	Canada	Canada minus Newfoundland	Newfoundland	Canada	Canada minus Newfoundland
1975	67.1	78.4	11.3	31.2	44.4	13.2
1976	66.6	77.6	11.0	31.8	45.2	13.4
1977	66.8	77.7	10.9	34.1	46.0	11.9
1978	67.3	78.1	10.8	35.5	47.9	12.4
1979	68.5	78.5	10.0	35.9	49.0	13.1
1980	67.7	78.4	10.7	37.6	50.4	12.8
1981	67.0	78.4	11.4	38.2	51.7	13.5
1982	65.0	77.0	12.0	39.2	51.7	12.5
1983	65.4	76.7	11.3	39.0	52.6	13.6
1984	65.0	76.6	11.6	41.0	53.5	12.5
1985	64.2	76.7	12.5	41.8	54.3	12.5
Change 1975-1985	−2.9	−1.7		10.6	9.9	

Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.6
Forecasts to 1990
Population 15 Years of Age and Over and Labour Force

Newfoundland (Thousands)

	Population 15+			Labour Force		
Projection[1]	1985	1990	Increase	1985	1990	Increase
Low	422	449	27	224	247	23
Medium	422	452	30	224	252	28
High	422	454	32	224	259	35

[1] The low projection uses the "present level" population projection combined with a fixed male participation rate and a slowly increasing female participation rate.
The medium projection combines the "most likely" population projection with a male participation rate increasing marginally over the next ten years and an increasing female participation rate.
The high projection combines the "optimistic" population projection with a male participation rate increasing over the coming years and a high increase in the female participation rate.

Source: "Employment and Unemployment in Newfoundland" (1986).

and over). While the rate of increase in the population is declining, as a result of a declining birth rate and of out-migration, the population aged 15 and over is still growing rapidly.

The labour force constitutes those members of the population aged 15 and over who are either employed or unemployed.[2] The growth of the provincial labour force, with a breakdown by sex, is shown in Table 3.4. Over the last decade the labour force has grown, despite the recession (1980 to 1985), both in absolute terms and relative to the population aged 15 years and over as a whole. The male labour force has increased by 12 per cent, the female labour force by 62 per cent.

The proportion of the population aged 15 and over that is in the labour force (otherwise known as the participation rate) is shown in Table 3.5. One of the major recent changes in Newfoundland's labour force has been the large increase in the female participation rate, which has grown from 31 per cent in 1975 to 42 per cent in 1985. Over the same period, the male participation rate has declined slightly, all of the loss occurring during the recession years. Nevertheless, the participation rate for men is still substantially above that for women, and for both sexes in Newfoundland the rates are considerably below the Canadian average.

In considering future employment prospects it is important to take into account the likely growth rate for the labour force in the future. Table 3.6 summarizes the Newfoundland Statistics Agency's forecasts to 1990 under low, medium and high growth conditions. The medium forecast over the next five years for the population aged 15 and over is an increase of approximately 30,000 people. This, along with an increasing participation rate, particularly for women, is expected to result in an additional 28,000 people in the labour force by 1990.

This means that employment would have to grow by almost 30,000 between 1985 and 1990 to keep unemployment at the 1985 level of 48,000. If the labour force grows at this rate, it would require an additional 23,000 jobs to reduce the unemployment rate to 10 per cent. That is, a total of 10,000 jobs a year would be required over the next five years to reach the national average of 10 per cent.

Employment

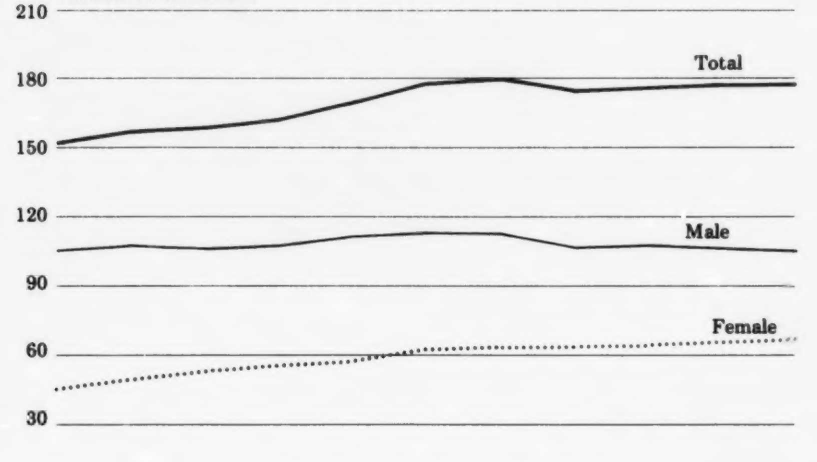
Persons who are supplying labour in the labour market are classified as **employed** and those offering their labour, and showing evidence of such, are classified as **unemployed**. People who are employed are defined by Statistics Canada as those who, during the week of its 'Labour Force Survey' (called the 'reference week') either did any work at all, or had a job, but were not at work due to illness or disability, personal or family responsibilities, bad weather, labour dispute, vacation or similar reasons. This concept of employment includes any activity for pay or profit, that is, paid work in the context of an employer-employee relationship or self employment. It also includes unpaid family work contributing directly to the operation of a farm, business or professional practice that is owned or operated by a related member of the household. For our purposes, it is important to note that there is one form of economic activity in rural Newfoundland that does not count as employment: non-market production for the household's own use.

As Figure 3.1 shows, in the last half of the 1970s, the numbers of employed men and women increased. Two-thirds of the total employment increase was accounted for by the rise in female employment. Since 1980, employment totals have not increased. The decline in total employment in 1982 came as a result of a substantial decrease (of 7,000 persons) in male employment, despite a slight increase (of about 1,000 persons) in female employment. Since 1982, male employ-

Figure 3.1

Employment by Sex

Newfoundland, 1975-1985



Source: "Employment and Unemployment in Newfoundland" (1986).

ment has remained basically the same, while female employment has continued to grow slowly, by about 4,000 persons.

The employment to population ratio is the proportion of the population of labour force age that is employed. Any increase in this ratio indicates that the number of people finding jobs is growing faster than the population aged 15 years and over. This is one indication of a healthy economy. The growth in Newfoundland's employment from 1975 to 1981 kept our employment to population ratio within approximately 14 percentage points of the Canadian ratio, but during the recession both national and provincial ratios dropped. As Table 3.7 shows, the decline in our male employment to population ratio over the last five years is striking. Even the female ratio, which had been rising, has levelled off over this period despite a continued increase in the female participation rate. Moreover, while the Canadian rate showed some improvement in 1984 and 1985, the Newfoundland rate is still declining slightly.

Employment statistics can also be broken down by such variables as age, sex, education, occupation, industry, region, seasonality and amount of time worked (part-time/full-time). Figure 3.2 shows the employment to population ratio by age group for Newfoundland and Canada in 1984. The Newfoundland ratios are substantially lower than the Canadian for all age groups. **It is particularly striking that Newfoundland youth have the lowest employment to population ratio of all groups and at 32 per cent, the ratio for youth in the province is a full 23 percentage points lower than the Canadian ratio.** People with post-secondary education have been getting an increasingly higher percentage of the jobs. **As Figure 3.3 shows, a person with a university degree is over three times more likely to be employed than a person with less than Grade Nine education.** Newfoundlanders

Table 3.7
Employment to Population Ratio by Sex

Newfoundland, 1975—1985 (Per cent)

Year	Total	Male	Female
1975	42.5	57.9	26.6
1976	42.8	57.8	27.5
1977	42.7	56.3	28.9
1978	43.1	56.5	29.6
1979	44.3	58.4	30.1
1980	45.7	58.8	32.5
1981	45.3	57.8	32.9
1982	43.3	53.8	33.0
1983	42.3	52.7	32.0
1984	42.1	51.4	32.9
1985	41.7	50.5	33.0
Change 1975-1985	−0.8	−7.4	6.4

Source: "Employment and Unemployment in Newfoundland" (1986).

with a university degree are the only group as likely as their mainland counterparts to be employed.

Tables 3.8 and 3.9 provide breakdowns of employment by industry and occupation by sex. While males dominate employment in primary industries and construction (where jobs are declining), females are highly concentrated in service, clerical and (mainly lower level) managerial and professional occupations. Since 1981, employment in primary industries and manufacturing has dropped by almost 10,000; only the service industries and public administration have shown growth. Chapter 5 will deal with these trends and prospects in detail.

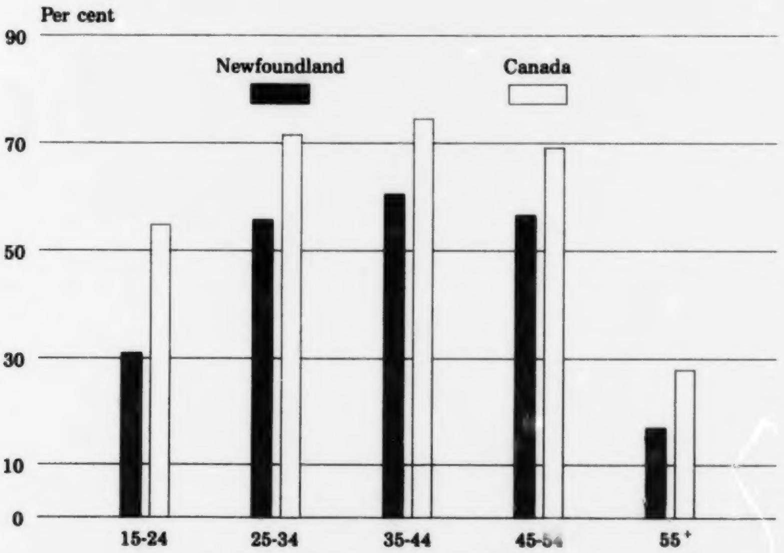
Unfortunately, there are no good data sources for showing annual changes in employment in the different regions of Newfoundland. Table 3.10 does show, however, that labour force growth during the 1971 to 1981 period was actually greater in areas other than the province's five largest centres. This positive growth rate has undoubtedly slowed down since 1981, but the data do at least show that it is realistic to support employment enhancement outside the major centres.

One of the main features of the Newfoundland economy is that employment is more seasonal than in other parts of Canada. To measure seasonality in employment, the percentage difference between the actual number of employed and the seasonally adjusted number of employed is examined. This percentage difference is called the 'seasonal effect'. Figure 3.4 shows that the seasonal effects in Newfoundland exhibit much wider swings from the low in January to the high in July, than do those in the rest of Canada.

Figure 3.2

Employment to Population Ratio by Age Group

Newfoundland and Canada, 1984



Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.8
Distribution of Employment by Industry and Sex

Newfoundland, 1984 (Thousands)

Industry	Male	Female
Primary Industries	16	—*
Manufacturing	14	6
Construction	10	—*
Transportation, Communication and Other Utilities	15	—*
Trade	16	14
Finance, Insurance and Real Estate	—*	—*
Service	20	35
Public Administration	13	6
Total	**107**	**69**

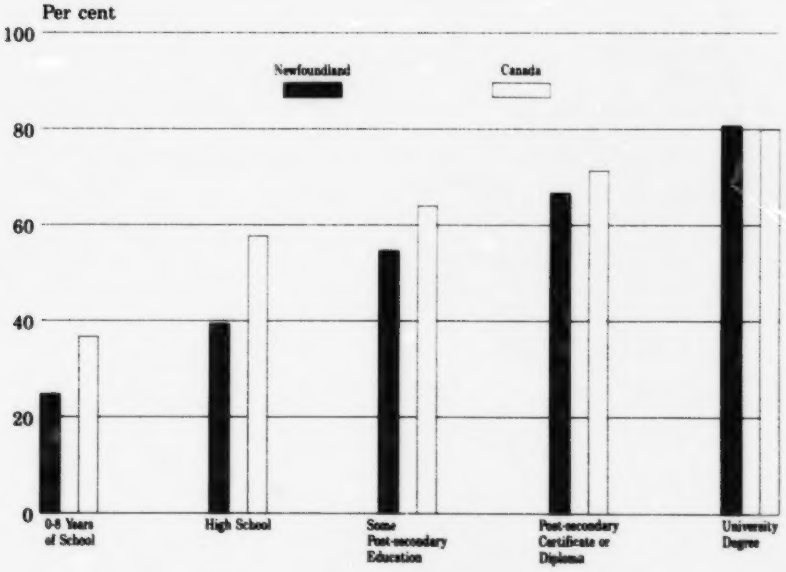
* Sample size too small to publish.

Source: "Employment and Unemployment in Newfoundland" (1986).

Figure 3.3

Employment to Population Ratio by Education

Newfoundland and Canada, 1984



Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.9
Distribution of Employment by Occupation and Sex

Newfoundland, 1984 (Thousands of Persons)

Occupation	Male	Female
Managerial, Professional, etc.	24	21
Clerical	5	20
Sales	7	8
Service	10	14
Primary Occupations	14	—*
Processing	14	5
Construction	11	—*
Transportation	8	—*
Materials Handling and Other Crafts	6	—*
Total	**107**	**69**

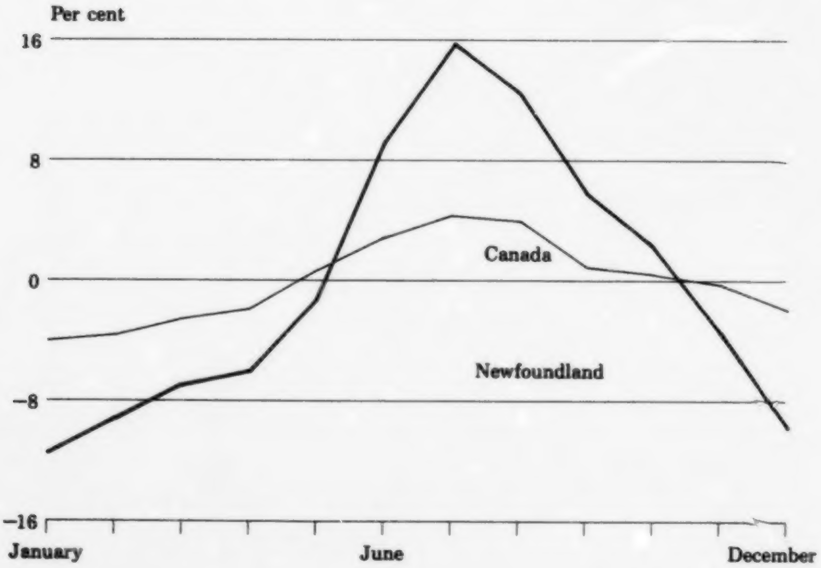
* Sample size too small to publish.

Source: "Employment and Unemployment in Newfoundland" (1986).

Figure 3.4

Seasonal Effects in Employment

Newfoundland and Canada, 1984



Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.10
Change in the Distribution of the Labour Force by Industry
Urban and Rural Newfoundland[1] 1971–1981[2] (Per cent)

Industry	Five Major Urban Centres[3]	Other Communities[4]	Rest of Newfoundland[5]
Primary	+0.39	+0.12	−0.77
Manufacturing	−0.74	+0.85	+4.98
Construction	−0.69	−0.23	−2.04
Transportation and Communications	−0.99	+0.31	−1.59
Trade	−0.98	+1.12	+1.07
Finance, Insurance and Real Estate	+0.28	+0.54	+0.43
Community, Business and Personal Services	+0.21	+2.62	+2.87
Public Administration	−0.38	+1.04	+0.41
Total[6]	**−5.8**	**+4.95**	**+0.85**

[1] By place of residence, not place of work.

[2] The table shows, for example, that in 1981, there was an additional 0.39% of the labour force in primary activities in the five major urban centres over the percentage in this industry in these areas in 1971.

[3] These centres are St. John's Census Metropolitan Area, Gander, Grand Falls, Corner Brook and Labrador City.

[4] Other communities with a population of 5,000 or more. These include Carbonear, Channel-Port aux Basques, Happy Valley-Goose Bay, Marystown, Stephenville and Windsor.

[5] This category includes all communities with less than 5,000 people, as well as people not living in communities.

[6] One hundred per cent equals total Newfoundland labour force for 1971 and 1981 by place of residence. The slight definitional change for the labour force between 1971 and 1981 makes no significant difference to the results presented here.

Source: Based on Statistics Canada 94-744, 94-745.

Figure 3.5 shows that the swings between the high in the summer months and the low in the winter months are found in all sectors. They are most pronounced in the secondary sector. This is because the industries of the secondary sector in Newfoundland are often based on resources that are themselves seasonal in nature. Fishing employment, with its inherent seasonality, dominates both the primary and secondary sectors in Newfoundland. By contrast, the seasonality of the Canadian primary and secondary sectors is not nearly so high.

The Canadian primary sector had a 26 per cent seasonal swing in 1984 as opposed to a 65 per cent swing in Newfoundland. Nearly two-thirds of employment in the primary sector in Canada is in mining, an industry that does not have large seasonal swings. By contrast, in Newfoundland close to 70 per cent of employment in the primary sector is in fish harvesting. In the secondary sector, Newfoundland employment is affected to a great degree by seasonality in fish processing and construction. The Canadian secondary sector is far less seasonal, with a high share of employment in the more established non-resource manufacturing industries. In Newfoundland, fish products account for over half of manufacturing employment, whereas in Canada the traditional seasonal industries – fish, fruit and vegetable processing, cement and concrete manufacturing – account for less than 4 per cent of total manufacturing employment. Similarly, the construction industry in Canada is less seasonal than in Newfoundland.

The tertiary sector is the least seasonal. This sector includes transportation, communications, utilities, trade, service, health, education and government. These industries do not have the seasonal swings in employment that are prevalent in the other sectors of the Newfoundland economy, although even here the seasonal range of the Newfoundland tertiary sector is twice that of Canada's. Seasonality is a very important feature of the Newfoundland economy that must be taken into account in any realistic strategy for generating more employment.

Seasonal employment, which is employment for part of each year, should not be confused with part-time employment, which refers to employment for less than 30 hours a week during the period when the individual is employed. Part-time employment is increasing in most western countries including Canada, but is less prevalent in Newfoundland than in the rest of the country. In 1984, part-time employment accounted for 15 per cent of total employment in Canada compared to 10 per cent in Newfoundland. There is a marked difference by sex, with part-time employment accounting for 19 per cent of female employment in Newfoundland compared to five per cent for males.

In summary, then, employment in Newfoundland is marked by a high degree of seasonality, and the employment to population ratio is higher for those with post-secondary education and members of the labour force aged 25 and over. Total employment increased during the 1970s but has levelled off during the 1980s. It has declined in primary resource and manufacturing sectors but continues to grow at a reduced rate in service industries and public administration. While the participation rate for women is still lower than for men, the female employment to population ratio has increased while that for males has declined. It is this levelling-off of employment, combined with the continued growth of the labour force since 1980, which has given rise to the serious unemployment problem that plagues our province today.

Unemployment

According to Statistics Canada's official definition, unemployed persons are those who, during the reference week in which the Labour Force Survey is conducted,

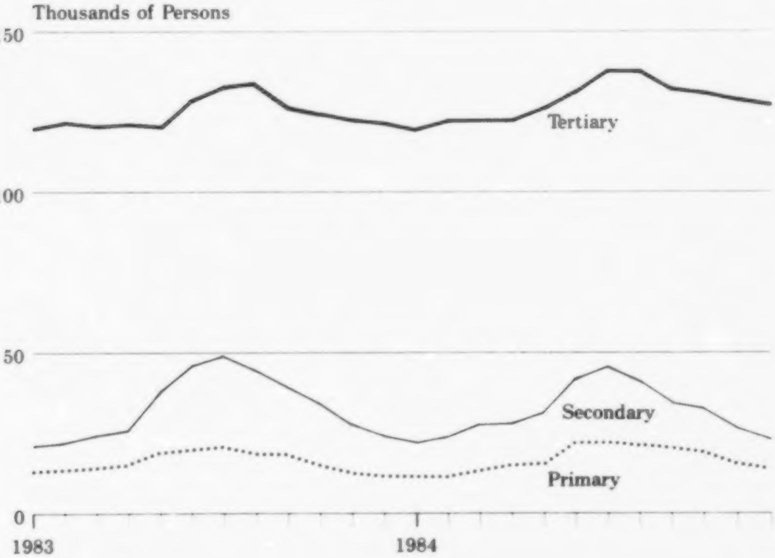
- were without work, had actively looked for work in the past four weeks leading up to the reference week and were available for work;
- had not actively looked for work in the past four weeks, but had been on layoff and were available for work; or
- had not actively looked for work in the past four weeks, but had a new job starting within four weeks of the reference week and were available for work.

As the Newfoundland population aged 15 and over, and the labour force, have grown since the 1970s, so too has the number of unemployed. Unemployment has grown largely because employment has not kept pace with labour force growth. Over the nine years from 1966 to 1975, the official number of unemployed tripled. During the next 10 years unemployment almost doubled, increasing to 48,000 in 1985 (See Figure 3.6). During the period 1975 to 1981, the growth in unemployment was modest; the number of unemployed ranged from 24,000 to 31,000. It was only after 1981 that unemployment rose substantially. As job prospects diminished, many persons entering the labour force joined the ranks

Figure 3.5

Employment by Sector

Newfoundland, 1983-1984



Source: Based on data from "Employment and Unemployment in Newfoundland" (1986).

of the unemployed. Although women have had greater success in finding employment than men during the 1980s, they too have experienced rising unemployment. Since 1980, the number of unemployed women has almost doubled to a total of 19,000 in 1985. Male unemployment rose over the same period from 17,000 to 29,000.

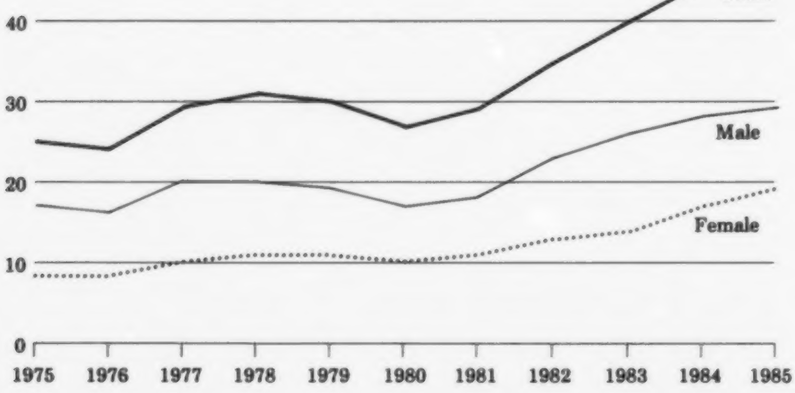
The 'official' unemployment rate (as calculated by Statistics Canada) is the number of people at any given time who are unemployed, expressed as a percentage of the labour force. This rate can be calculated on a monthly basis, or over a 12 month period to yield an annual average. Newfoundland's seasonally adjusted rate of unemployment for July 1986 was 22 per cent, while the annual average for 1985 was 21.3 per cent. Changes in the rate over time must be interpreted carefully: a drop in the unemployment rate does not necessarily result from fewer people becoming unemployed, nor does a rise automatically signify an increase in the number who secured employment. Because both groups of the labour force (the employed and unemployed) are used in the calculation of the rate, a rise in the number of unemployed may be offset by an even greater rise in the number of employed, thereby causing the rate to remain the same or to actually decrease.

The percentage of the labour force which fits the Statistics Canada definition of unemployed persons referred to earlier is what we will refer to as the 'official' unemployment rate. It is based on job search activity. However, where job oppor-

Figure 3.6

Unemployment by Sex

Newfoundland, 1975-1985



Source: "Employment and Unemployment in Newfoundland" (1986).

tunities are scarce, particularly in small communities with weak local labour markets, people are unlikely to seek jobs because they know they are not available. Recognizing this, several important studies on Newfoundland unemployment have attempted to devise more appropriate measures of unemployment. The People's Commission on Unemployment in 1978 calculated a rate using the participation rate for Ontario (64 per cent) rather than that for Newfoundland (51 per cent). The People's Commission argued that Newfoundland's lower participation rate was a result of both large numbers of people giving up looking for work and many not bothering to enter the labour force because of the persistent lack of jobs. Their unemployment rate was 34 per cent – double the official rate of 15.5 per cent.

Similarly, the St. John's-based Community Services Council's (CSC) 1981 study of Newfoundland communities calculated an unemployment rate that included people who had given up looking for work for labour-market reasons as well as those who had given up looking for work, but would have accepted it under certain conditions (including higher pay levels and a favourable working environment). The CSC rate came to 30.8 per cent, compared to the official rate of 17.5 per cent.

Also recognizing the importance of people who had given up looking for a job in measuring unemployment, the Economic Council of Canada (ECC) in 1980 provided some reasons why Newfoundlanders give up searching for a job: for over 40 per cent of those unemployed, there was either no potential employer, or a maximum of one, in the immediate vicinity; for another 33 per cent of the unemployed, there were between two and six potential employers. This means that job search activity, upon which the official unemployment rate is so dependent, can be completed in a couple of days by three-quarters of all unemployed Newfoundlanders. Obviously, repeated inquiries to the same limited number of employers is a futile and humiliating experience leading many to give up active or formal job search.

To calculate an appropriate measure of unemployment, the Economic Council used existing Statistics Canada data. Using information from the annual 'Discouraged Worker' Survey, the Council found that in March 1978 – when the official unemployment rate for this province was 16.4 per cent – one unemployment measure, which included people who had given up looking for work for labour-market reasons, but who wanted work and were available for work, was as high as 23.9 per cent. We would point out that we are not comfortable with the phrase 'discouraged worker': people who have given up looking for work in Newfoundland are not usually discouraged from **working**, but from the action of **seeking** work. We would prefer the phrase 'hidden unemployed' to describe this category of persons.

During the Commission's public hearings, many intervenors expressed their concern about the official measures of unemployment. Often people could not reconcile the official unemployment rate for their region or community with their own experience. For example, in a brief on youth unemployment, the North Shore Bay of Islands Development Association told us:

> There are many who believe that because of the method of calculating unemployment rates, there are many unemployed youths not included in these figures published by Statistics Canada.[3]

The Association suggested the 'under-employed' and the 'hidden unemployed', who do not show up in the unemployment figures, must be included if the true nature of the province's unemployment is to be captured statistically.

The town council of Gander made a similar claim and raised another problem, that unemployment statistics cover too wide a region, with the result that small-scale variations are masked:

> The statistical figures available for this area give an adjusted figure of 22 per cent of unemployment. Closer examination of the communities in Gander's trading area will show that in certain instances the rate could be as high as 80 per cent.[4]

Others who appeared before the Commission went one stage further by offering evidence of how official rates understate unemployment. Often, this evidence came from a survey conducted by the individuals or groups themselves:

> . . . our own survey (that of the Southern Shore Development Association), conducted in the spring of 1984 pointed to an alarming 59.5 per cent rate of unemployment among 483 people interviewed as opposed to the 28 per cent male and 30 per cent female unemployment rate reported by Statistics Canada.[5]

An explanation for the discrepancy was provided in terms of the official figures not including "those who have given up looking for work or who have run out of U.I. benefits".[6]

Perhaps the most comprehensive unemployment survey conducted by a group appearing before the Commission was that of the Corner Brook - Bay of Islands - White Bay area, which was sponsored by the local Modified Industrial Labour Adjustment Program (MILAP) Committee. The study was initiated "because of repeated public questions as to the reliability of 'official' figures pertaining to the actual level of unemployment"[7], and it identified an average unemployment rate of 39 per cent in May 1985 in the area surveyed. As the Statistics Canada provincial unemployment rate for that month was 24.1 per cent and that for the western region (including Labrador) was 32.5 per cent, the MILAP Committee implied that the official rates did indeed underestimate the true level of joblessness in the area.

Unfortunately, these local surveys are not consistent with one another in their measures of unemployment. To complement such efforts, the Royal Commission conducted its own survey of nine selected communities, using a variety of measures, including the official rate. This research will be discussed in Chapter 6, in a section on pockets of high unemployment. Whatever the local regional variations it is clear that, on the whole, official unemployment rates are significantly higher in rural than in urban regions of the province and participation and employment rates significantly lower (See Table 3.11).

Another valuable source of information on the unemployed is the Unemployment Insurance Commission of Employment and Immigration Canada. Although Unemployment Insurance (UI) recipients generally meet the public's concept of unemployed persons, there are important differences between UI recipients and the specific definition of unemployed persons, as defined by Statistics Canada in its Labour Force Survey. Some people, such as new entrants to the labour force, can be unemployed without receiving UI. Others may be receiving benefits while

Table 3.11
Urban and Rural Labour Force Comparisons

Newfoundland, 1984 (Per cent)

	Participation Rate	Unemployment Rate	Employment Rate
Rural	45.4	24.6	34.2
Urban	59.4	17.7	48.9
Difference	−14.0	6.9	−14.7

Source: "Employment and Unemployment in Newfoundland" (1986).

not actively looking for work and therefore are not officially unemployed.[8] There is, however, considerable overlap between the two categories.

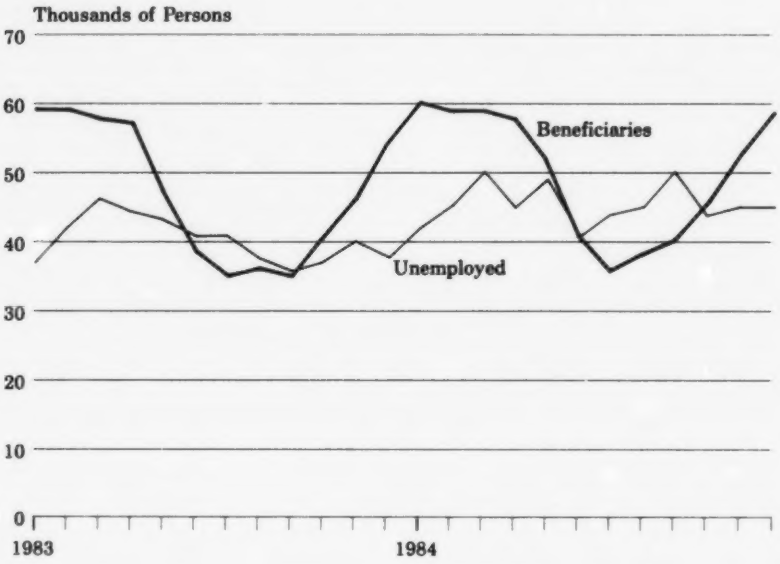
In 1984, the average number of regular UI beneficiaries without earnings was 5,000 higher than the number of unemployed (See Figure 3.7). This difference varies greatly throughout the year: in the winter months the number of beneficiaries may be considerably higher, and in the summer months considerably lower, than the number of unemployed. This wide variation throughout the year is due mainly to the seasonal nature of occupations.

Statistics Canada provides several different measures of unemployment of which Table 3.12 shows nine, calculated for 1985.[9] It is clear that, whatever measure is used, the Newfoundland rate of unemployment is around twice the national rate. Moreover, the gap between Newfoundland and Canada has increased since 1984. Perhaps the best measure for Newfoundland is what Statistics Canada refers to as 'R7', which includes the so-called 'discouraged workers', which it defines as persons not in the labour force who sought work in the past six months but are not now looking for work for labour-market-related reasons. By this definition, the Newfoundland unemployment rate for 1984 was 25.2 per cent, compared to 12.5 per cent for Canada; by 1985 it had increased to 26.3 per cent. If the six-month restriction were removed, the rate would be more than 30 per cent. **This Commission accepts that approximately one-quarter to one-third of those Newfoundlanders who would prefer to be employed are without employment at any time.** Furthermore, we need to be aware that there are wide regional discrepancies in unemployment rates within the province. Unfortunately, the Labour Force Survey provides inadequate data for making meaningful regional and community-level comparisons. Statistics on Labrador, for example, lump the more prosperous industrial towns of western Labrador with the poorer native and coastal villages to produce averages that are meaningless for Labrador as a whole. The Newfoundland Statistics Agency of the provincial government lacks the resources to compile an adequate information base on its own.

Figure 3.7

The Unemployed and Regular Beneficiaries without Earnings[1]

Newfoundland, 1983-1984



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[1] The 'unemployed' may or may not be receiving Unemployment Insurance benefits, but are defined by Statistics Canada as unemployed. 'Regular beneficiaries' are those who are receiving regular Unemployment Insurance benefits. Though the vast majority of regular beneficiaries without earnings fall into the definition of unemployed as defined by Statistics Canada there are cases where this may not be true. The gaps between the two curves show the magnitude of the difference.

Source: "Employment and Unemployment in Newfoundland" (1986).

Table 3.12
Measures of Unemployment

Newfoundland and Canada, 1985

Rates[1]	Newfoundland	Canada	Ratio[2]
R1 Rate of Persons Unemployed 14 or more Weeks[3]	10.9	4.8	2.3
R2 Unemployment Rate of Family Heads[4]	18.0	7.6	2.4
R3 Official Unemployment Rate Excluding Full-Time Students	21.4	10.3	2.1
R4 Official Unemployment Rate Including Full-Time Armed Forces	21.2	10.4	2.0
R5 Official Unemployment Rate[5]	21.3	10.5	2.0
R6 Unemployment Rate of Persons in Labour Force Full-Time	24.1	12.5	1.9
R7 Official Unemployment Rate Including Discouraged Workers[6]	26.3	11.6	2.3
R8 Underutilization Rate[7]	24.9	13.1	1.9
R9 Unemployment Rate of Persons in Labour Force Part-Time	17.4	12.8	1.4

[1] With the exception of R1, R7, and R8, all rates are rates of persons unemployed and looking for work in previous four weeks. R6 and R9 have an adjustment for part-time employees who wish full-time work.

[2] Newfoundland to Canada.

[3] Rate is calculated as a percentage of labour force.

[4] Family heads are defined as persons heading families with children under 16 years of age. Rate is calculated as percentage of all family heads.

[5] For detailed definition, see text. Rate is calculated as a percentage of total labour force.

[6] Discouraged workers are those not in the labour force who sought work in the past six months but are not now looking for labour-market reasons. Rate is calculated as a percentage of the sum of the labour force and all "discouraged workers".

[7] Rate based on hours worked and hours offered.

Source: Newfoundland Statistics Agency.

The Dynamics of the Newfoundland Labour Market

All of the figures presented so far in this chapter give a rather static view of the labour market in Newfoundland. This is somewhat misleading, because in practice individuals move into and out of the labour force, and into and out of employment and unemployment. Statistics Canada's Annual Work Patterns Survey, conducted each January, gives us some data on labour-market dynamics by tracking respondents' labour-market activity throughout the previous year.

This survey provides some very important information about labour-market dynamics in Newfoundland. It shows, for example, that the difference between the national and provincial rate of unemployment is not due primarily to there being more long-term unemployed in Newfoundland. As Table 3.13 shows, in Newfoundland in 1984 the average number of weeks employed was lower and the average number of weeks unemployed was higher than in Canada. Moreover, only 39 per cent of the labour force here enjoyed full-year jobs compared to 59 per cent in Canada. Nonetheless, as Table 3.14 indicates, the difference in the distribu-

Table 3.13
Average Number of Weeks Employed and Unemployed Per Person in the Labour Force at Some Time During the Year

Newfoundland and Canada, 1984

	Both Sexes	Men	Women
Employed			
Newfoundland	31.6	32.6	30.3
Canada	40.1	41.5	38.4
Unemployed			
Newfoundland	8.4	8.9	7.8
Canada	5.0	5.2	4.6

Source: Statistics Canada 71-001.

Table 3.14
Distribution of Persons Unemployed by Weeks Unemployed

Newfoundland and Canada, 1984

	Persons Unemployed (Thousands)	Weeks Unemployed (Per cent)					
		1-4	5-13	14-26	27-39	40+	Total
Newfoundland	114	17	27	28	16	12	100
Canada	3,733	24	28	23	13	12	100

Source: "Employment and Unemployment in Newfoundland" (1986).

tion of persons unemployed in 1984, calculated by the number of weeks unemployed, was not significantly different for Newfoundland and Canada. Indeed for the long-term unemployed (40 weeks and over), the national and provincial figures were identical, at 12 per cent. Again, if we consider the average length of unemployment for those aged 25 to 44 years (See Figure 3.8), we see that the figure for Newfoundlanders, while high (21 weeks), was not very different from that of five other provinces. Finally, there was also similarity in the success rates of persons in the labour force finding a job at some time during the year. As Table 3.15 shows, **of those people in the labour force, nationally and provincially, in 1984, most succeeded in having a job – no matter how short-term – for at least part of the year.**

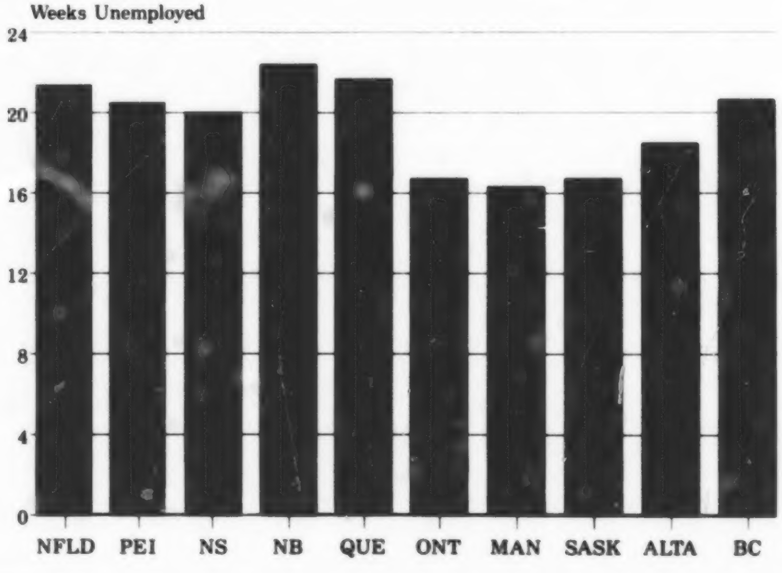
There are, however, two major differences between the Newfoundland and Canadian labour markets. **The duration of employment spells is shorter here than in Canada and the proportion of Newfoundlanders who experience unemployment at any time during the year is higher.**

Figure 3.9 shows the labour force experience of individuals in the Newfoundland population aged 15 years and over during 1984. About 141,000 people (33.6 per cent) were not in the labour force at any time during the year. Another 143,000 (34.1 per cent) spent all their time in the labour force and 136,000 (32.2 per cent) moved back and forth into and out of the labour force. We can reasonably assume

Figure 3.8

Average Number of Weeks Unemployed per Person Unemployed at Some Time during the Year.

Unemployed Persons Aged 25-44, 1984



Source: Based on data from Statistics Canada 71-001 (Annual Work Pattern Survey).

Table 3.15
Percentage of the Labour Force Employed at Some Time During 1984, by Sex

Newfoundland and Canada (Per cent)

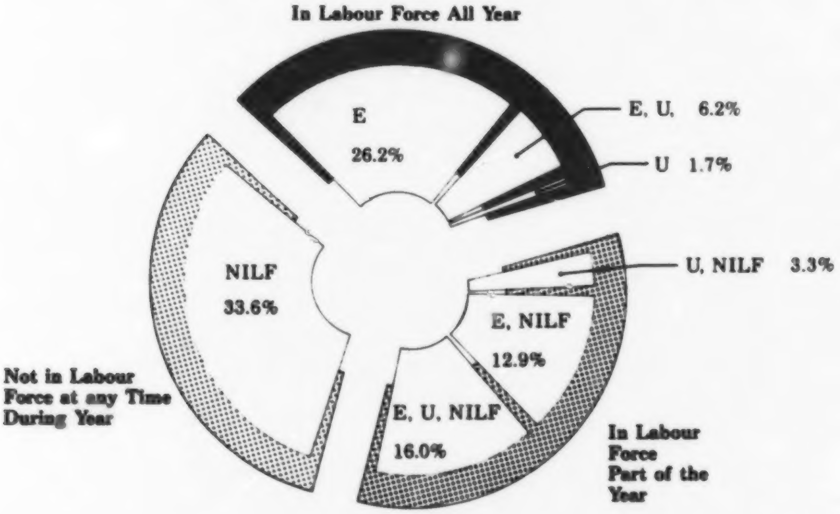
	Newfoundland	Canada
Men	93.9	96.3
Women	90.5	95.1
Total	**92.5**	**95.8**

Source: Statistics Canada 71-001.

Figure 3.9

Labour Force Experience of Population 15 Years and Over, Over the Calendar Year

Newfoundland, 1984



E = Employed U = Unemployed NILF = Not in Labour Force

Source: Based on data from Statistics Canada 71-001.

that this 'into/out of the labour force' pattern is common in rural Newfoundland; it distinguishes rural from urban labour markets, which are more like those in the rest of Canada.

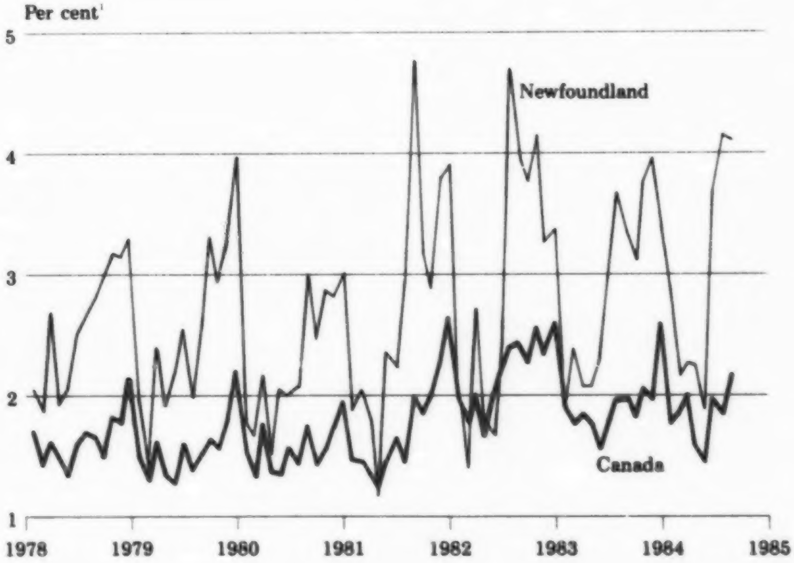
The negative side of this dynamic pattern is that fully 114,000 Newfoundlanders found themselves unemployed at some time during 1984. This group represented about 41 per cent of the Newfoundland labour force. The same statistic for Canada is only 19 per cent.

Special data on the dynamics of the Newfoundland labour market, based on Statistics Canada's Labour Force Survey, were supplied to the Commission by the Economic Council of Canada.[10] Figure 3.10 provides a time series of the flows from employment to unemployment for Newfoundland, compared to Canada, for the period from January 1978 to August 1984. The effect of seasonality is clearly seen in the differences between the peaks and troughs for Newfoundland, and those for Canada. For most years, there are two distinct peaks for Newfoundland, when flows from employment to unemployment are heavy. These usually occur in the months of August and November. Seasonality is also more marked for male than for female members of the Newfoundland labour force.

Figure 3.10

Stock Flow Data: Employment to Unemployment

Newfoundland and Canada, 1978-1984



[1] The counts refer to the percentage of persons employed in the previous month.

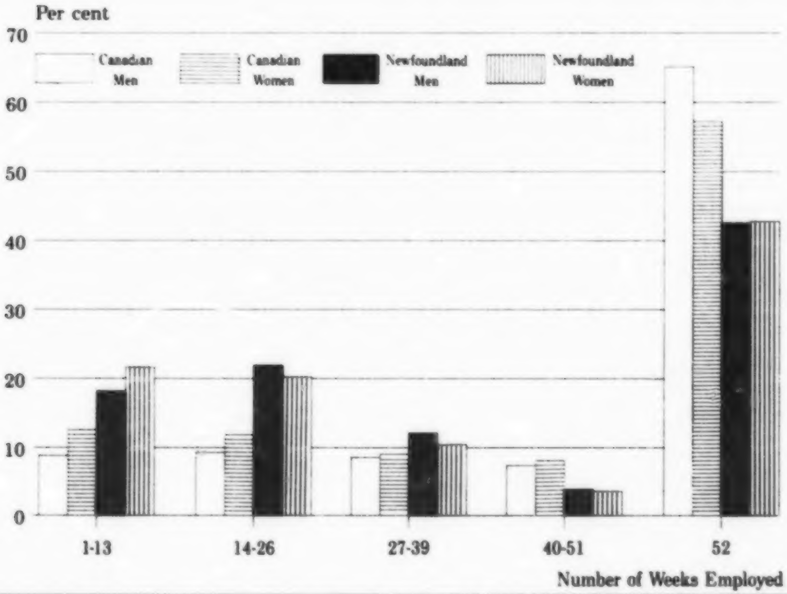
Source: Based on data supplied by the Economic Council of Canada.

Finally, in this section it is worth noting that, although the average duration of employment is less per year in Newfoundland than Canada as a whole, most people work far more than the 10 or 20 weeks required for them to qualify for UI (See Figure 3.11). **The evidence shows that most of the unemployed are out of work because they have lost their jobs, not because they are content to work for 10 weeks and then quit.** This Commission would argue that the so-called 'ten-week syndrome' is not as widespread as we are often led to believe. As Figure 3.12 shows, the recession of the 1980s led to a dramatic increase in job losers (involuntary unemployed) compared to job quitters (voluntary unemployed). Since the late 1970s, with the worsening employment situation, the number of job leavers has decreased while the number of unemployed has almost doubled. The big change has been in the number of job losers. This group has more than tripled from 9,000 in 1975 to 30,000 in 1984. Most of this increase occurred from 1980 to 1984 with increasing unemployment.

Figure 3.11

Distribution of Persons Employed at Some Time During the Year by Number of Weeks Employed, by Sex

Newfoundland and Canada, 1984



Source: Based on data from Statistics Canada 71-001 (Annual Work Pattern Survey).

Conclusion

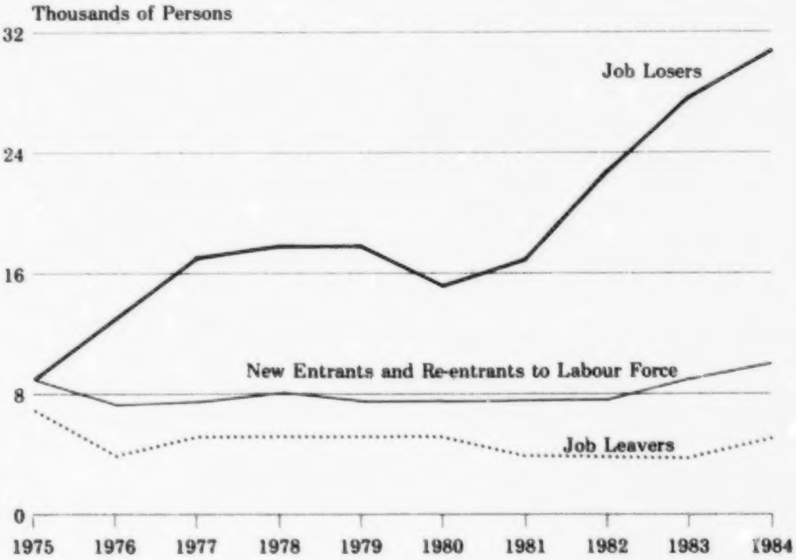
In examining the Newfoundland labour market, we see a rapidly growing labour force fed both by a rising population aged 15 years and over, and by increasing participation by women who want employment. Although employment levels grew at a steady pace during the late 1960s and into the early 1970s, this growth was not sufficient to absorb the increase in the labour force in the late 1970s. The result was a continually rising unemployment rate over the last decade that reached crisis proportions with the slow-down in the economy in the early 1980s. As the recession took hold, more people experienced longer periods of unemployment. While, for those in the labour force, success in finding a job remains high and the likelihood that this job will be for more than 30 hours per week (full-time) is very good, nevertheless the chance that it will last for 52 weeks (full-year) is low.

In almost every western country, the unemployment rate has increased significantly from the mid-1970s to the mid-1980s, but Newfoundland's unemployment rate has been particularly and persistently high. At any given time, between one-quarter and one-third of those who would like to be employed do not have a job. Approximately 27,000 people have given up looking for work altogether; about half of them have done so for reasons connected with the state of the labour

Figure 3.12

Flows into Unemployment

Newfoundland, 1975-1984



Source: "Employment and Unemployment in Newfoundland" (1986) market. They are our 'hidden unemployed' and they are not included in the official unemployment statistics often quoted by the media and government agencies.

As we have shown in this chapter, the number who are unemployed, and the unemployment rate calculations derived from this statistic, reflect only one of the labour-market problems experienced by Newfoundlanders. To get a good grasp of these problems, better information on labour force activity and up-to-date regionally specific data are required.

> ***Recommendation***
> *The Newfoundland Statistics Agency, in consultation with Statistics Canada, should devise and implement an adequate labour force survey for Newfoundland.*

Looking at how the Newfoundland labour market might fare this year, we see trends which give rise to some optimism. If employment levels continue to rise as they have been doing so far this year, we can expect the annual average employment total for 1986 to reach 181,000. This would be an improvement over last year by about 5,000. It is still, however, a long way from the 10,000 jobs per year which we think are needed if the provincial unemployment rate is to be reduced to the national average of 10 per cent over the 1985 to 1990 period. Nevertheless, after a four-year period when employment levels have stagnated around 175,000, and a dismal 1985 during which we experienced record low employment rates and record high unemployment rates, any increases in employment, no matter how modest, are welcome.

We have highlighted two distinctions between the Newfoundland and Canadian labour markets in this chapter: the short duration of many jobs and the sheer numbers of people who experience unemployment at some time during the year. We have also shown the high degree of movement of individuals into, and out of, employment, unemployment and the labour force. In the next chapter we will examine the dynamics of the Newfoundland labour market more closely, in terms of the urban and rural parts of the Newfoundland economy.

Notes

1. This statistical overview draws on the material provided by three Background Reports to the Royal Commission: Newfoundland Statistics Agency, "Employment and Unemployment in Newfoundland: A Profile"; Douglas May and Alton Hollett, "The Causes of Unemployment in Newfoundland", and Chris Palmer, "Perspectives on the Newfoundland Labour Market".

2. For a discussion of the various definitions used by Statistics Canada in its monthly Labour Force Survey, see the Background Report to the Royal Commission by Palmer, "Perspectives".

3. North Shore Bay of Islands Development Association, "Brief to the Royal Commission on Employment and Unemployment", June 1985, p. 12.

4. Town of Gander, "Submission to Royal Commission on Employment and Unemployment", September 1985, p. 1.

5. Southern Shore Development Association, "Brief to the Royal Commission on Employment and Unemployment", June 1985, p. 10.

6. Southern Shore Development Association, "Brief", p. 10.

7. Corner Brook MILAP Committee, "Presentation to the Government of Newfoundland and Labrador Royal Commission on Employment and Unemployment", June 1985, p. 2.

8. For further discussion of these differences, see May and Hollett, "Causes" and Palmer, "Perspectives".

9. For a detailed discussion of alternative definitions and measures of unemployment, see Palmer, "Perspectives". Other discussions may be found in The People's Commission on Unemployment, *Now That We've Burned Our Boats* (Ottawa: Mutual Press, 1978) and R.H. Hill, *The Meaning of Work and the Reality of Unemployment in the Newfoundland Context* (St. John's: Community Services Council, 1983).

10. The Commission gratefully acknowledges the support of the Economic Council of Canada in its work. Further description and analysis of these stock flow data are provided in Palmer, "Perspectives".

CHAPTER 4

Old and New Perspectives on the Newfoundland Economy

In this chapter, we seek to explain the medium-term increase in the unemployment rate and the seeming reluctance of labour-market forces to adjust in such a way that disparities between Newfoundland and the rest of Canada will be removed. We are, therefore, required from time to time to use language which is rather more technical than that used in other sections of this Report, because we need to discuss conventional economic approaches to the labour market and the concepts such approaches employ.

We set the analysis contained in this chapter within the framework of microeconomic theory, with the ultimate focus being the individual labour market. We note, along with the Economic Council of Canada (ECC), that over any given year there are very large movements in and out of the Newfoundland labour force, much larger than elsewhere in Canada,[1] and we note too that this is consistent with the pluralist life-style and seasonal nature of rural communities in Newfoundland. In this Report, therefore, we recognize variation in unemployment rates at the regional (sub-provincial) level in particular labour markets. While the Commission recognizes the seriousness of unemployment in urban parts of the province, and seeks balance in the provincial economy, nevertheless we emphasize the problem of severe unemployment in rural Newfoundland.

In the course of investigating the nature of rural unemployment, we have been able to extend current thinking on labour markets along the lines suggested by the most recent developments in economic theory in such a way as to take rural life-styles into account.[2] In order to do this, we have developed a mathematical simulation model which is explained in Appendix IV of this Report. From the perspective of this Commission, the major value of this model is that it allows us to incorporate both household production and transfer payments as significant components of the rural economy. This means that we can explain why high rates of unemployment persist in Newfoundland by identifying the complex choices associated with the Newfoundland household economy, which are not allowed for in the Economic Council of Canada's extension of the 'natural rate of unemployment' hypothesis. As a result, we have been able to identify why there appears to be "no statistically significant jobs to people matching mechanism in Newfoundland";[3] a problem that has frustrated previous analysts of the Newfoundland economy. With this more realistic understanding of the integral components of the Newfoundland economy in hand, the Commission is then able to proceed to a sectoral analysis of the economy (See Chapter 5), an assessment of human resources in the province (See Chapter 6) and thence to a series of recommendations (See Chapters 7 to 14) for future provincial development.

This concern with economics is not merely academic, because important policy decisions have been made and continue to be made on the basis of economic models. If the models are incomplete, the analyses and the policy directions are likely to be problematic. To a large extent, this has been the case in Newfoundland. Before we can cure the symptoms of unemployment, we must first be sure that we have correctly diagnosed the underlying illness.

Standard Labour-Market Analysis

We start with a brief discussion of the microeconomic analysis that is used to describe employment in modern western societies, because we need to understand what it says, and what its implications are, if we are to deal realistically with it. The very concept of unemployment assumes a market economy in which individuals offer labour services to others in return for money wages. Firms employ people and use their labour services to produce goods and services. The price paid for labour is set by the market. This price affects the demand for labour by firms: if it is low, more labour will be hired; if high, less. By the same token, more people will offer labour services if the price is high; if low, less. Where these two sets of interests meet is the market-place balance, or 'point of equilibrium'. This holds true in theory where no individual, or group, controls the market or sets the price, that is, in a free market.[4]

Unemployment, according to this standard analysis, occurs when the supply of people offering labour services, at the current wage rate under current employment conditions, is greater than the current demand for those services. In other words, the system is unbalanced or 'in a state of disequilibrium'. Those who have failed to find employment are, in this view of the world, assumed to be 'idle'.

What is to be done if this occurs? First, we need to point out that this kind of theory assumes that in the long run, equilibrium is the norm – it can exist, it is not just an ideal; the economy will over time achieve a balance. In other words, something can be done. More precisely, one of three things can be done. Buyers (firms) can offer lower wages that will be acceptable to labour because there is no other option available to workers, or alternative openings for jobs can be found elsewhere by workers (migration), or more openings can be created by firms, so that demand for labour will grow. Different schools of economic thought offer these different explanations and different solutions, depending on the types of unemployment with which they are mostly concerned. For the pre-Keynesians and some modern microeconomists, overly high wages are seen as the culprit – a result of labour reluctance to accept lower wages. The adjustment to full employment and equilibrium is seen as a price adjustment. For the Keynesians, the real culprit is insufficient aggregate demand. Some economists are now looking at the idea of the existence of an unspoken agreement ('implicit contract') between labour and capital which allows additional profits to capital in 'boom' years in return for artificially (above equilibrium) high wages in economic downturns.

This is the context in which studies such as those of the Economic Council of Canada should be understood. In its 1980 report, the Council claimed that in Newfoundland real wages were too high and fixed, relative to elsewhere in Canada, thereby creating labour-market disequilibrium. It recommended striving towards productivity gains which would justify such high wages. In 1986, a paper prepared for the Council and entitled *Newfoundland Revisited* identifies the same imbalances in the labour market, recognizes that neither lower real wages nor out-migration are able to operate at the levels required to reduce labour supply and concludes that supply-side adjustments are not working in Newfoundland.

The Demand for Labour in Newfoundland

What, then, about a demand-side quantity adjustment – can the Newfoundland economy expand to create a demand for more labour? In the last 10 years, as Chapter 3 showed, growth in employment was unable to keep pace with growth in the labour force, so that provincial unemployment grew, even though the demand for labour was still growing. Since 1980 the situation has become even worse, for now the demand for labour is actually decreasing while the supply of labour continues to grow. What we need to know, then, is why demand grew in the 1970s, and why it fell off in the 1980s, if we are to understand the constraints on any possible demand-side adjustment for the future. Labour services are normally demanded by employers because such services are needed in the production process which makes the real goods and services society requires.[5] That means that demand for labour is ultimately derived from society's requirements, as is the demand for other inputs into the production process such as energy, capital, resources and so on.

All these 'derived' demands depend on the price paid for the inputs, on the amount of goods and services to be produced and on the level of technological and managerial skills that will be used in the production process. We know, too, that according to the standard microeconomic analysis, demand for labour is inversely related to the price to be paid for it, which means that if real wages fall, more labour services will be demanded. We should also think of the role played by other inputs into the production process, because some of them can be used instead of labour, while others cannot. If the price of labour rises above the price of a substitute input, then it is rational for the employer to switch away from labour to the cheaper input. Hence, as labour services become more expensive than capital services, the switch to capital services (insofar as technology permits) can be expected to occur.

Demand for labour services is also dependent on the level of output required – more things being produced should mean more labour demanded. In a recession, when firms cut back on the goods and services they are producing because demand for these things is falling, demand for labour can be expected to fall. Demand for labour and other inputs also depends on the level of managerial and engineering technology being used by employers. Usually, the higher the level of technology, the lower the demand for labour, since technological change is often more capital intensive and less labour intensive.

All this is fine in theory, but the construction and empirical testing of large models of the Newfoundland economy, inclusive of specific labour markets, is very complex indeed.[6] The Canadian Occupational Projection System (COPS) model is one approach that should be tested and developed further in Newfoundland to get good estimates on the supply-side and to integrate wage rate data. In the absence of such work to date, it is best to look at the labour demands of industry in Newfoundland and relate these demands to industry output and, in the case of public goods, to the sources of financing.

During the twentieth century, and particularly since Confederation, the Newfoundland economy has been moving statistically ever closer to the pan-Canadian economy. We have a slightly greater concentration of employment in fishing and mining than is the case for Canada as a whole, but that is not surprising. What is surprising is that in 1981 Newfoundland ranked just behind Ontario and Quebec in terms of jobs per capita in the manufacturing sector, and nearly 65 per cent of all employment by 1981 was in the service sector.

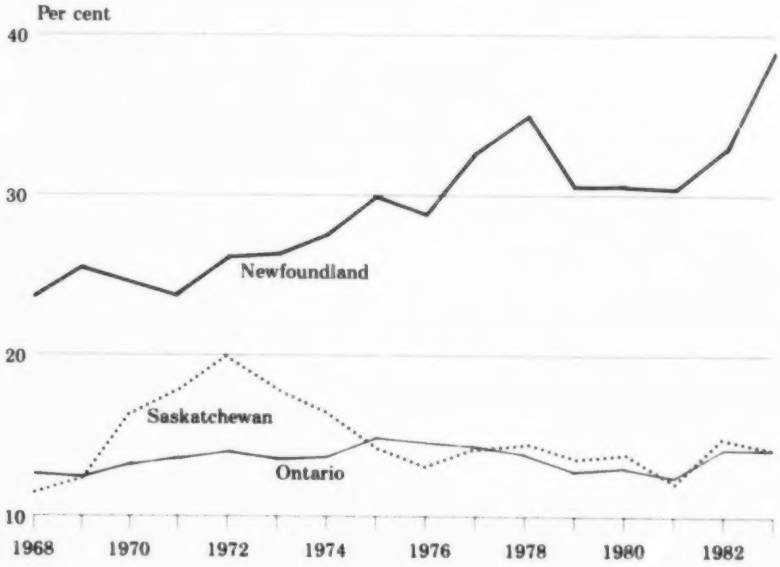
What is going on? To answer that, we need to look at the Newfoundland economy as a whole, then by sector and finally by industry, in terms of output and derived labour demands, since that will let us identify those industries where employment has not been growing quickly and those which have declined in terms of output and labour demand.[7]

The Newfoundland economy, with its manufacturing industries still strongly rooted in the resource base (fish processing and pulp and paper processing), with its large service sector and with its small semi-commercial rural component, is best described as having features of both a traditional outport and a modern market economy. These are not separate dualities, but are linked and interdependent in several ways as we shall see. The resource industries and related processing operations are strongly tied to seasonal factors, and are mostly export-oriented. The consumer sector is strongly affected by Canadian (public goods) and North American (private goods) tastes. By this we mean that such private goods as Cabbage Patch Dolls and fast foods are part of the Newfoundland (and international) reality, and that since Confederation, Newfoundland has had the same right to public goods, such as education and health care, as has the rest of Canada. The problem with this is that such expectations are not matched by provincial income generation. The result is that the province has a persistent negative balance of trade (the value of our imports is greater than the value of our exports) which is covered by federal government transfers - federal funding makes possible the level of Newfoundland domestic spending (See Figure 4.1). These funds finance

Figure 4.1

Proportion of Spending Financed by the Federal Government in Three Selected Provinces

1968-1983



Source: Based on data from Statistics Canada 13-213.

different sectors so that they can produce the level of output demanded, in areas as varied as health care, education, equalization, offshore exploration and related businesses. Significantly, over the past 15 years, those areas in the economy that have experienced economic growth have done so, directly or indirectly, mainly as a result of federal funds.

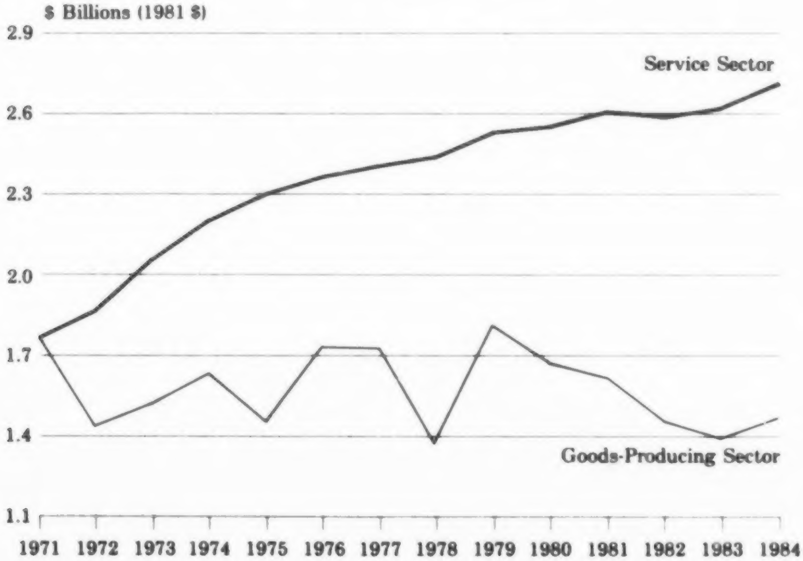
The goods-producing and service sectors will be described in detail in Chapter 5. For present purposes we need to note that, as Figure 4.2 shows, service output has tended to grow steadily even during the recession but output in the goods-producing sector has been erratic, and most recently (post-1979) has been declining. In employment terms (See Figure 4.3), the service sector is also relatively more important. Employment grew in the goods-producing sector between 1971 and 1980 even though output did not, but the fall in employment after 1980 is clearly associated with the goods-producing, not the service, sector.

Between 1961 and 1971, nearly 44 per cent of all new jobs in the province were created in communications, business and personal services, and from 1971 to 1981, one new job in three was found in these service industries. Moreover, most of these jobs were in areas financed largely by government: more than half were in health care and welfare, education and related services. Between 1971 and 1981, one new job in eight came from health care or education.

Figure 4.2

Real Value-Added Output in the Goods-Producing and Service Sectors

Newfoundland, 1971-1984



Source: Based on data from the Newfoundland Statistics Agency

Employment also grew in public administration, even during the recession. This is a clear indicator of some cause for concern when considered against a backdrop of avowed government policies targeting deficit reduction, since government expenditures are significant generators of employment in this province. Indeed, the crucial role of government spending is clearly seen in the fact that of the 53,000 additional jobs in Newfoundland in 1984 compared to 1966, 29,000 of them were created in community, business and personal services and 9,000 in public administration, leaving only 15,000 jobs created elsewhere in the economy.[8]

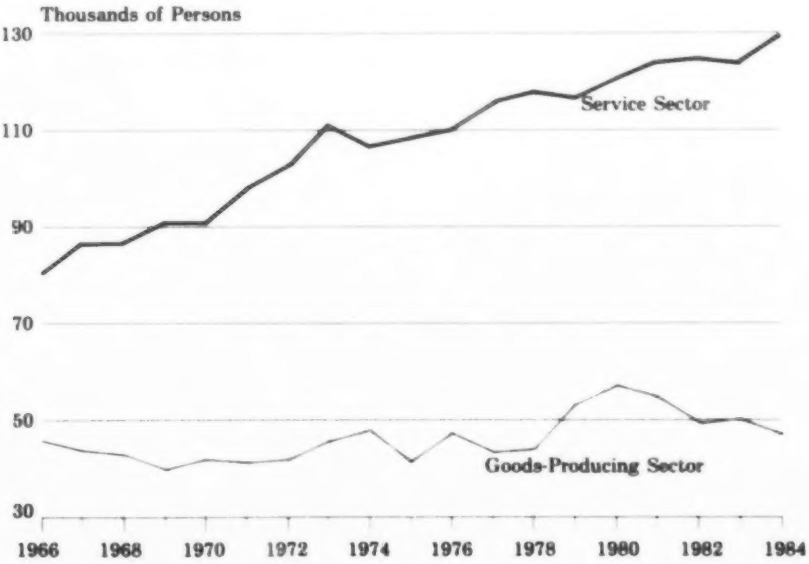
Turning to the goods-producing sector, the decline in real output was not concentrated in any one industry (See Figure 4.4). The mining industry (dominated by western Labrador iron ore) has been highly volatile, with a significant decline since 1979; manufacturing grew until 1979 and then fell off; fish harvesting held constant.[9] Employment mostly tracked this decline, with some variation or lag, as Figure 4.5 shows, but in fish harvesting it increased noticeably between 1977 and 1981.

Why did output, and with it (in most cases) employment, fall? A variety of reasons for decline can be postulated. Declining incomes in the countries to which Newfoundland exports its resources is one obvious cause for declining demand. Let us look at two specific industries to provide examples here. In the fishing industry, it is recognized that the United States market demand for fish is rela-

Figure 4.3

Employment in the Goods-Producing and Service Sectors

Newfoundland, 1966-1984



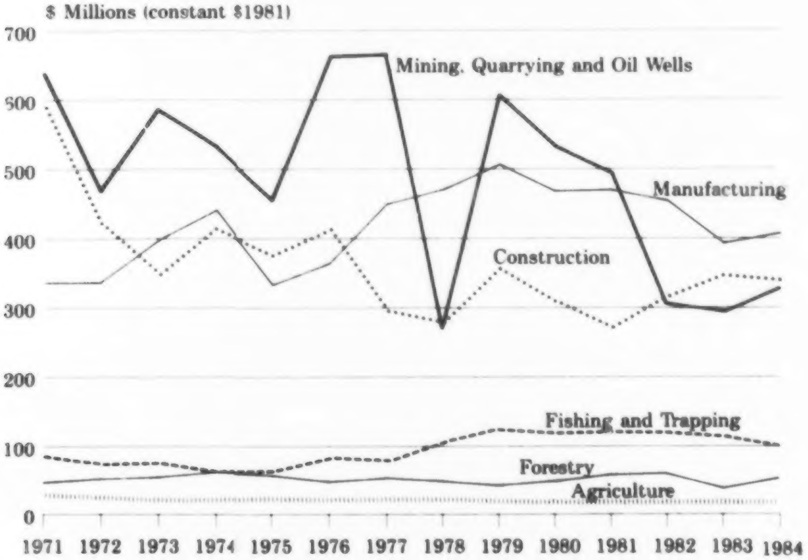
Source: Based on data prepared by the Newfoundland Statistics Agency using Statistics Canada 71-001.

tively income-sensitive, and as incomes declined in the United States during the recession, so did the demand for fish. In mining, the effect is less direct but produces the same result. Iron ore is used in the production of steel. Steel is used in the production of a large variety of goods, including automobiles. The declining demand for consumer durables such as automobiles, which occurred during the recession, had a domino effect which resulted in a decreased demand for iron ore.

That is one set of possibilities. Another is that Newfoundland's share of the market fell, even if the market itself did not decline. This shift in market share might occur if, for example, a cost condition in Newfoundland production raised the relative price of the Newfoundland product, or if, again for example, there were an adverse shift of the Canadian dollar relative to the value of the currency of Newfoundland's competitors.

Both of these scenarios are market-related. Another possible reason for declining output could be constraints on inputs. For example, resources may be classified as renewable or non-renewable. Non-renewable resources always have an ultimate constraint – they run out. Such was the case in Buchans. Non-renewable resources can also fail because they have become uneconomic to exploit under

Figure 4.4
Real Gross Domestic Product in the Goods-Producing Industries
Newfoundland, 1971-1984



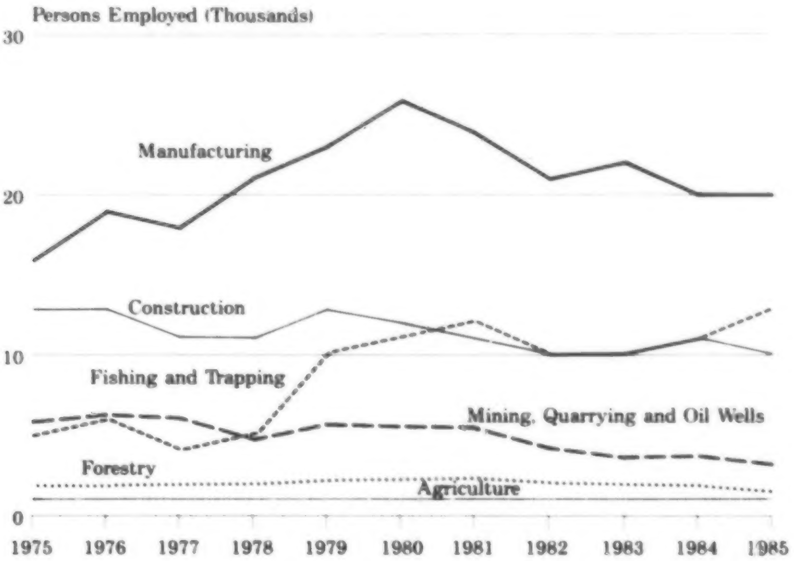
Note: Statistics for 1984 are estimates. Forestry does not include newsprint manufacturing. Fishing and trapping is mostly fish harvesting. Manufacturing includes fish processing and newsprint manufacturing.

Source: Based on data prepared by the Newfoundland Statistics Agency.

existing market conditions as is the case in Daniel's Harbour. Renewable resources such as fish and forests, if properly managed, should not become depleted since good management puts a ceiling on what can be taken from the resource at any given time.

That having been said, it is crucial to note that the majority of industries in the goods-producing sector are export industries, 'export' defined both in terms of 'out of province' and, crucially, 'out of Canada'. Figure 4.6 shows the international linkages of the Newfoundland goods-producing sector. The lesson to be drawn from it is that, in many cases, market demand for Newfoundland products is found outside the province and is beyond provincial control. To a considerable degree, the Newfoundland goods-producing sector must be seen as reactive to international market conditions. Hence, the recent recession in the United States and European markets adversely affected Newfoundland exports, while recovery has aided them. Likewise, Newfoundland's competitive position in the fishing industry was aided by a declining Canadian dollar relative to the currency of some major competitors. Again, as industries like the United States steel indus-

Figure 4.5
Employment in the Goods-Producing Industries
Newfoundland, 1975-1985



Note: Forestry does not include newsprint manufacturing. Fishing and trapping is mostly fish harvesting. Manufacturing includes fish processing and newsprint manufacturing. The Fishing and Trapping, Construction, and Manufacturing data are from Statistics Canada 71-001 and include employed and self-employed individuals and unpaid family members. The Mining, Quarrying and Oil Wells, and Forestry data are from Statistics Canada 72-002 and include only paid employees. The Agriculture data are based on the *Census*.

Source: Based on data provided by the Newfoundland Statistics Agency.

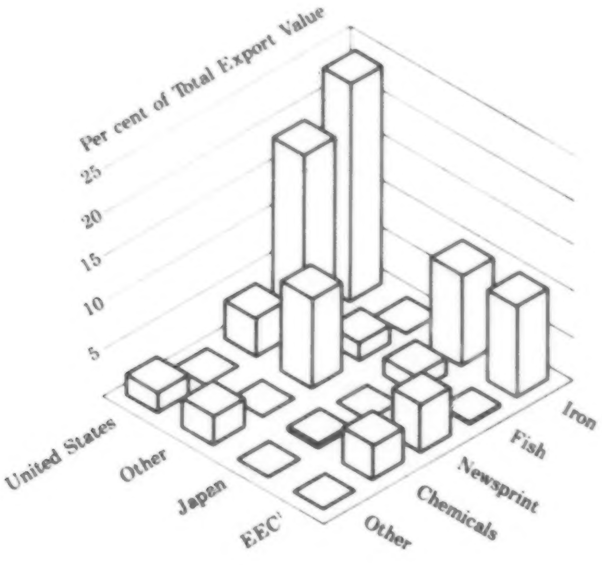
try go through structurel readjustment, demand for Newfoundland iron ore pellets falls. At an even wider, 'world economy' scale of analysis, the problems of faltering economies and enormous debts in less developed countries have forced these countries into improving their export potential, usually in natural resources; this has resulted in very stiff competition for Newfoundland, given the low wage rates and other competitive advantages (such as richer ore bodies and faster growing forests) in these less developed nations.

Nor can the manufacturing industries, at least as presently constituted, provide the economic salvation often expected of them. Newfoundland manufacturing is not very diversified, being concentrated primarily in fish processing and newsprint production. It lost 7,000 jobs between 1980 and 1984. Only those industries which find a comparative cost advantage in locating here can be expected to succeed, and that advantage is likely to centre upon the basic prerequisites of high transportation costs of the raw product and the proximity of a natural resource. The pulp and paper industry, including newsprint, and the fish-processing industry locate here because of the natural resource base and the cheaper costs of transporting semi-processed goods. In sum, only those large-scale manufac-

Figure 4.6

Major Export Markets of Newfoundland

1984



¹EEC is European Economic Community

Source: Based on statistics prepared by the Newfoundland Statistics Agency from special tabulations of Statistics Canada; "Canadian Iron Ore Industry Statistics, 1982, 1983," Internal Report of the Mineral Policy Sector of the Department of Energy, Mines and Resources.

turing industries tied to a local resource base and with a transportation cost benefit in processing here are likely to be feasible under existing technological conditions and, therefore, a highly diversified large-scale secondary manufacturing sector is unlikely to emerge in the foreseeable future. As we shall see later, however, small-scale community-based manufacturing, closely tied to local resources and local needs, might be a different matter, as might some 'high tech' industries.

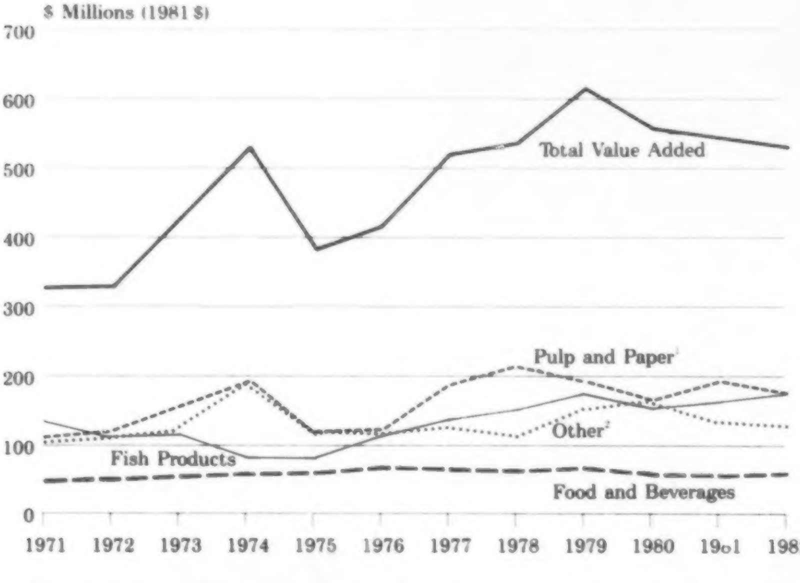
The role of fish processing in Newfoundland is extremely important. It represents almost 30 per cent of all manufacturing output, as Figure 4.7 shows. Moreover, fish plants are, by and large, located in rural Newfoundland where unemployment is highest. That makes them a vital source of jobs, and in combination with Unemployment Insurance (UI) benefits, an essential creator of cash income. We will discuss the fishery in detail in Chapter 5.

Mining is a capital intensive industry whose sensitivity to external markets has made it a leader in job loss since 1975. This is not just a Newfoundland, but a North American, phenomenon. Construction, on the other hand, is responsive partly to exogenous constraints but mostly to local conditions. It is also dis-

Figure 4.7

Real Value-Added Output for Selected Manufacturing Industries

Newfoundland, 1971-1982



[1] The Pulp and Paper Value-Added Output for 1977 has been estimated by the Newfoundland Statistics Agency using least square regression techniques because estimates for that year were not published.

[2] "Other" includes output from all other manufacturing industries.

Source: Based upon data from *Historical Statistics of Newfoundland and Labrador* (1985); Statistics Canada 61-213.

tributed widely throughout the province, and is capable of employing unskilled and semi-skilled, as well as skilled, workers. Large-scale construction projects are often associated with a particular stage of economic development: such was the great railroad building era of the middle and late nineteenth century. As such, they can be assumed to have a limited life span, and it is salutary to consider projects such as Churchill Falls and Cat Arm in this light. In the foreseeable future, the best prospects for large-scale construction rest in the development of offshore oil, but that, too, will be of limited duration. The problem here lies in the difficulty of reabsorbing labour from these projects after completion. This is already obvious in the large number (33 to 37 per cent) of UI claimants who state construction to be their primary occupation.

Finally, we should not leave this section without commenting again on the importance of seasonality in the goods-producing sector. Employment fluctuates widely between high employment (summer) and low employment (winter), and the amplitude of these fluctuations appears to be increasing (See Chapter 3).

The answer to our question about demand, then, must be that demand (which translates into jobs and employment) will continue to be insufficient to meet existing supply (people looking for work) over the next several years unless some new factor or factors are introduced into the existing set of conditions within which the Newfoundland economy operates. We now turn to the supply side of the labour market and review it as it actually operates in the Newfoundland context.

The Supply of Labour in Newfoundland

Two possible approaches can be taken to this examination. One is an aggregate-analysis approach, the other a 'micro' approach which seeks to understand what people want to do as individual decision-makers. In this section, we will first look at the aggregate (or general) picture and then move down in scale to see the characteristics of labour supply in more detail.

We start a discussion of aggregate supply by asking: "What are the person-hours that people in Newfoundland are willing to supply at particular wage rates under current economic conditions?" The question is not an easy one to answer, unlike the demand-side question: "How many jobs exist?", which can be readily answered. Supply of labour is really a flow concept, with people moving in and out of the aggregate supply. As such, it is much more fluid and nebulous than the parallel demand concept, since it depends upon the (unspoken) will and preferences of individuals, not upon the (visible) number of jobs offered (demanded) by employers. We also need to be wary of double-counting when measuring supply, because people may offer their services to more than one labour market at a time when they are searching for work. That is why aggregate statistics are safer to use: they eliminate double-counting. They tell us what percentage of people in the source population (aged 15 and over) want to participate in the work force under a given set of conditions.

Supply will vary according to different economic and social circumstances. For example, when the economy is coming out of recession, we expect the labour force to grow markedly as people begin to want to participate in the recovery. In other words, people will move from the category 'not in the labour force' to the category 'in the labour force' as they actively look for work. As a result, as recovery starts, it is entirely possible that the unemployment rate will show an initial rise as people begin to look for work again but have not yet become employed.

In Newfoundland, the most recent annual statistics show us that the labour force is not growing at its traditional rate – its growth has slowed down. In other words, we are seeing a downwards adjustment in aggregate supply. Despite this recent downturn in supply, there is still an enormous number of people who are formally recognized as unemployed in Newfoundland. Chapter 3 identified them in various ways, by gender, age, region and so on. In this chapter we need to try to identify where and why excess supply occurs in the Newfoundland economy. Given the nature of the data that exist, this is not easy to do. The method adopted here, therefore, requires some explanation.

We start with data on unemployment insurance. Claimants are required to define themselves by a particular occupational category: looking for work as fishermen, construction workers, fish plant workers, typists, hairdressers or whatever. In other words, people identify themselves as attached to a particular industry to which they would return if a vacancy in that industry opened up. Many people in Newfoundland have more than one job skill – they may well be able to work in, for example, the fishery, forestry and unskilled or semi-skilled construction work. However, the manner in which UI is set up requires them to identify one occupational category when they make their claim. People are therefore forced to calculate which job category out of a range of possibilities is the one most likely to be the most useful to them in terms of where they think the best chances of future employment lie. In technical terms, they calculate the opportunity costs of selecting a particular category in the light of all others open to them, and then choose their industry attachment in terms of its probable ability to get them employed. When we look at these choices, we find that one-third of all active UI claimants in Newfoundland choose construction as their preferred designated occupation, 10 per cent choose clerical services, 13 per cent choose processing and so on, as Table 4.1 shows. Claimant data provide us with occupational distribution of excess supplies in various labour markets. However, to calculate excess supply more precisely, we need Regular Beneficiaries Without Earnings (RBWEs) data since many claimants will have ceased to be beneficiaries, that is, they will have rejoined the work-force. We apply claimant distributions to Regular Beneficiaries Without Earnings data to calculate excess supply.[10]

We can also find the real demand levels in those occupations, by looking at the number of jobs actually in existence. The number of people actually employed in a given occupation plus those who would work in it if jobs were available is the total potential aggregate supply of labour in that particular industry/sector. If we then look at the potential aggregate supply in various industries and compare it to the actual demand for labour in those same industries over a period of time, we can identify where supply is greatly in excess of demand. We then have to inquire whether or not there is more imbalance (disequilibrium) in some occupations than in others. If so, what are these? We can then group these occupations according to whether they require skilled or unskilled workers primarily, because that allows us to ask some important questions about cause.

For example, if we see disequilibrium in some skilled occupations – too many people with certain skills for which there is an insufficient demand – we must ask why these people acquired such skills rather than others for which there is a higher demand. The answer is likely to be either that there used to be more

Table 4.1
Active Unemployment Insurance Claims by Occupation per Month

Newfoundland, 1985-1986 (Per cent)

Occupation	1985 Jan	Feb[1]	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	1986 Jan	Minimum	Maximum
Clerical/Related	10.8		10.5	10.5	11.6	11.2	12.0	12.7	12.8	12.4	10.9	10.7	10.5	10.5	12.8
Processing	14.1		13.7	13.2	14.0	13.3	13.4	12.8	13.4	14.6	13.2	13.2	13.0	12.8	14.6
Construction	36.5		36.3	36.7	36.5	37.3	36.0	35.4	34.8	33.7	34.6	36.3	36.7	33.7	37.3
Sales/Service	12.0		12.3	12.2	13.3	12.9	13.7	14.2	14.3	14.3	12.7	12.6	12.4	12.0	14.3
Other	26.7		27.0	27.4	24.6	25.4	24.9	25.0	25.0	25.1	28.7	27.2	27.3	24.6	28.7
Total (Rounded)	100		100	100	100	100	100	100	100	100	100	100	100	100	100

[1] Statistics for February 1985 are unavailable.

Source: CEIC VP8040.

demand for those skills (that is, a response to earlier market demands), or that more training programmes are available for these outdated skills than for other, currently more suitable, skills. In other words, our institutions, if they are not always monitoring the value of course offerings in terms of current and probable future market conditions, may be part of the problem rather than part of the solution. Institutions must be able to design programmes in response to career probabilities as indicated by anticipated vacancy rates, rather than career possibilities as indicated by what they have in their current curricula.[11]

What happens if we find that there is a serious imbalance between the number of people seeking jobs and those who actually get them, in unskilled occupational categories? This is, in fact, the case in Newfoundland. For example, in 1984, 40 per cent of those available for employment who were receiving social assistance were unskilled. Most unskilled workers were found in the smaller communities. Of the over 40,000 RBWEs in July of 1985, approximately 35 per cent would have listed construction as their occupational category, mostly within the unskilled labour part of that occupation. July is peak employment time for the construction industry, but even at peak, the number employed was only 15,000 persons. Therefore, at peak demand, construction had a total supply of almost 30,000 workers, of whom nearly 15,000 were unemployed. That is a serious imbalance, and we have identified others, as can be seen in Table 4.2.

The question then becomes: "Why is there very little adjustment occurring in Newfoundland's labour supply?" The demand side has already adjusted as much as possible, even to the point of creating 'false' demand through make-work projects. We stated earlier that, according to standard economic analysis, supply will adjust either through a quantity change due to a fall in the real wage rate, or through out-migration, or both. Standard economic analysis assumes (as a simplifying assumption) that there are no barriers or costs to the labour market adjustment process – it is instantaneous, immediate. Wages fall, people move away; there is, in theory, no problem. Of course, we know that, in practice, there are several problems. This is important, and we need to consider seriously this apparent resistance to a supposedly instantaneous adjustment process. There are two issues here – that of the adjustment process itself, and that of costs of adjustment.

The first point we wish to make is that there has been some adjustment through migration, as Figure 4.8 shows. What about barriers to migration, which might prevent further population outflow? We can identify several such barriers. One is education levels below those required for many types of employment. It is worth remembering here that it is in the unskilled categories that we find major imbalances in supply. A second barrier is that of isolation: isolation from information and from the main centres of employment. Related to these, of course, is the barrier of cash flow: how will an unskilled, unemployed worker finance the search for information about jobs or the move to seek employment elsewhere?

We know that many Newfoundlanders manage to overcome this last barrier, at least on a temporary basis. As illustrated in the Commission's public hearings, Newfoundlanders have in place a complex network of information related to employment opportunities elsewhere, and an equally complex set of support networks in various mainland centres which provide food and shelter for new Newfoundland arrivals seeking employment.

Table 4.2
Labour Supply Comparisons by Occupation

Newfoundland, July 1985 (Thousands of Persons)

Occupation[1]	Statistics Canada Data			Regular Beneficiaries Without Earnings Data	
	Labour Force	Persons Employed	Persons Unemployed	Persons Unemployed[2]	Labour Force[3]
Managerial, Professional	50	47	3	2.3	49.3
Clerical	32	27	5	4.9	31.9
Sales	19	17	2	2.0	19.0
Service	37	29	8	3.6	32.6
Primary Occupations	30	27	3	2.4	29.4
Processing	36	29	7	7.1	36.1
Construction	22	15	7	14.6	29.6
Transportation	10	9	1	1.9	10.9
Materials Handling and other Crafts	9	7	2	0.8	7.8

[1] Major groups, both sexes.

[2] Persons without earnings receiving regular benefits and who constitute an 'excess supply' of labour.

[3] Regular Beneficiaries without earnings (persons unemployed) plus persons employed.

Source: Statistics Canada 71-001; CEIC VP8041;
unpublished data provided by Newfoundland Statistics Agency

A 20-year-old single man from Marystown:

I'm not getting any younger you know. I'm 20 years old and I figure if I don't get on at anything that looks like it could be permanent, I'll leave the province. I won't be going to St. John's because I don't like it in there and as far as I'm concerned, it's the same everywhere else in Newfoundland as far as jobs go. It's even worse in some places. I'm thinking I might go to Halifax. I have a brother living there. He's working in a record store. I think it would be easier to find work there. I plan to work, live with him and study part-time. Maybe I'll take some courses at the university there. I'm definitely going to study something because I do believe in an education but I don't want to do it if I got to go in debt.

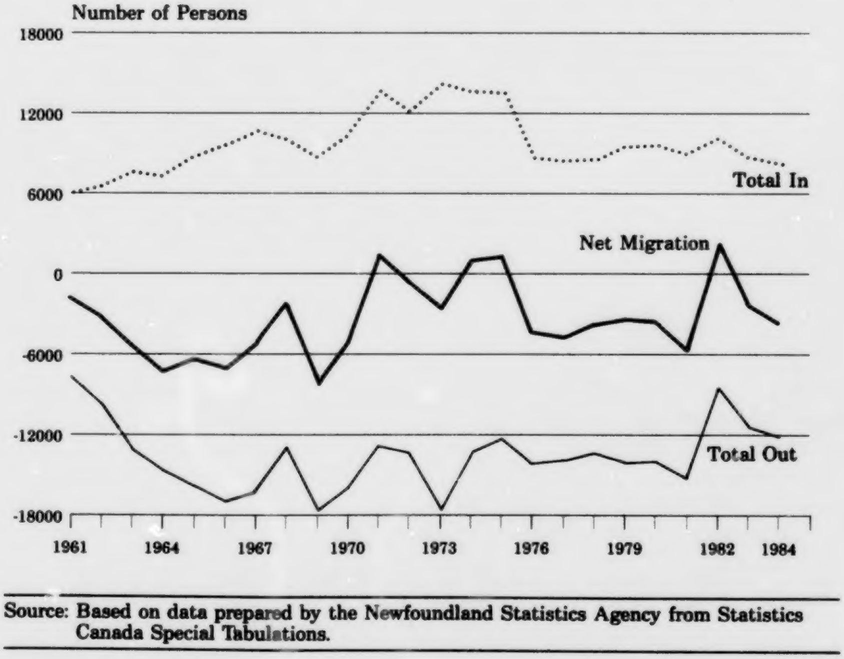
A 29-year-old man from Corner Brook:

I'm 29, I don't have many friends around here my age, they've all left . . . . Their families are gone, they've got a brother here in Toronto and another one up in Vancouver, I mean everyone here in this room, knows somebody who's left to find a job or knows somebody who's got a family who's left to find a job.

Figure 4.8

Total In-migration, Out-migration and Net Migration

Newfoundland, 1961-1984



Source: Based on data prepared by the Newfoundland Statistics Agency from Statistics Canada Special Tabulations.

Another, and very serious, barrier to out-migration is the loss of real wealth that would accompany such a move. Many rural people own their own homes – indeed, Newfoundland has the highest percentage of home owners in Canada. People manage to build their own homes at a substantially reduced cost compared to market rates in the urban centres, amounting often only to the cost of materials plus small labour costs for plumbing and installation, that is, specialist skills. These homes, the basis of the outport Newfoundlanders' wealth, are fixed property – they cannot be taken away to a new job on the mainland.[12] What happens if migration becomes a necessity? The market value of the family home in the outport might be, say, $40,000.[13] The equivalent house in St. John's would cost, say, $90,000. What this means is that, if a family were forced to move to St. John's for employment, it would have to find $50,000 in after-tax income, even if the outport house had been sold for its $40,000 value. This would be a significant adjustment cost which would require that several family members find jobs before they could consider the loss of wealth that migration entailed as in any way a bearable or near-recoverable cost.

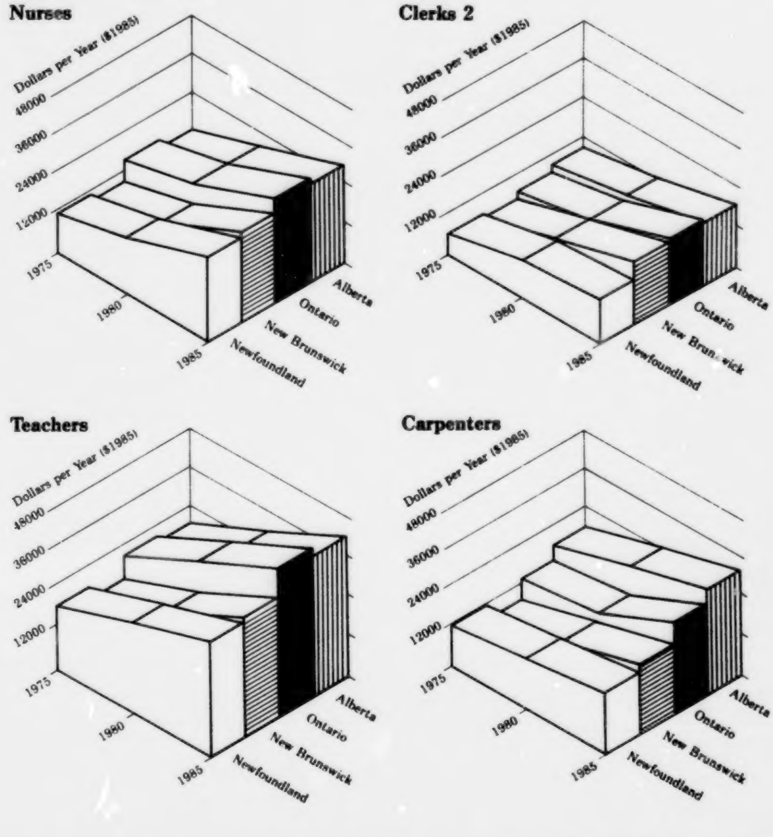
This is still, however, not a worst-case scenario, as people in Labrador City, for example, well know. Should a whole community be required to close down, as has happened and is happening with single-resource towns, then the value of the house falls towards the value of the used materials only. That means that, if we use the example above, the family will be required to find close to the full $90,000 in after-tax income if it is to maintain the same kind of living conditions it had before migration. This is a horrendous cost of adjustment, involving large losses of wealth from which families cannot hope to recuperate. In other words, if 'efficiency' measures are taken that result in the closing down of whole communities, the burden of adjustment falls on individuals who cannot cope. This does not decrease adjustment costs but increases them as these Canadians are then thrown into severe poverty. There are indeed costs of adjustment, and serious ones, when moving from one community to another in search of employment. Such adjustment has, however, actually taken place within the very considerable constraints that exist.

What about the other supply-side adjustment, that is, lowering wage rates? The Commission has found that there have been some wage adjustments in Newfoundland, as Figure 4.9 shows. Just as there are constraints on migration adjustments in this economy, so there are also constraints on a downwards wage adjustment which prevent wages from dropping to equilibrium levels. Wage rates in Newfoundland are influenced by both a regional (Atlantic Canada) and a national framework. This can be seen, for example, in the fact that the Newfoundland economy operates within a labour market where national employers (including the federal government) and national unions are major players. Neither the Government of Canada nor national unions are able to accept a situation in which wages in Newfoundland would be permitted to drop to levels that were seriously out of line with wage levels elsewhere. Moreover, the principle of a fair wage (equal pay for equal work across both gender and region) influences wages in Canada, although in practice neither women, nor people in peripheral regions, have achieved wage parity. It would be politically unacceptable for wages in Newfoundland to be lowered to levels that were perceived nationally as seriously unfair. Indeed, in a practical sense, adjustments of this nature are not possible in a region which enjoys economic and monetary, as well as political, union with Canada.

Figure 4.9

Inter-provincial Salary Rate Comparisons

Selected Occupations, 1975-1985



Nurses

Clerks 2

Teachers

Carpenters

Source: Canadian Teachers' Federation, *Summary of Major Teacher Salaries Scales in Canada, 1970-71 to 1985-86* (Ottawa: 1985); Government of Alberta; Government of Ontario Civil Service Commission; Government of New Brunswick Department of Board of Management; Government of Newfoundland Treasury Board.

The upshot of this discussion is that Newfoundland finds itself in a position where demand for labour in its established goods-producing industries will not likely expand and, indeed, may even shrink further (See Chapter 5); where supply, especially in occupations which employ a great deal of unskilled labour, seriously exceeds demand; and where the adjustment processes of out-migration and lower real wages, while they are occurring, are constrained to the point where full adjustment is not possible. **This is not a matter of provincial unwillingness to adjust to the harsh reality of high unemployment, but rather an inability to adjust further.** In this Commission's view, federal government intervention to aid adjustment through removal of support systems, or even closing down non-viable enterprises, would not solve the problem. Indeed, massive and expensive government aid programmes would be required to alleviate the severe poverty crisis that would result from such strategies.

Newfoundland appears, then, to be in a catch-22 situation in which, if the standard economic analysis is correct, it cannot achieve equilibrium in its labour market and is doomed to continue to exist in a state of moving from economic crisis to economic crisis with no humane solution in sight. But is this analysis correct?

Developing a Newfoundland Model

We have already shown that the standard analysis is inadequate with respect to the adjustment process. We can now go further. It is only within the limitations of such an analysis that the situation in which Newfoundland finds itself appears to be hopeless. We are really in a situation in which we have a choice between believing either that Newfoundland is truly in a hopeless situation, or that the analysis we have been using is inadequate. We need to push that analysis further, to incorporate the real economy in which many Newfoundlanders live. We need, therefore, to take a closer and more precise look at the structure of the Newfoundland economy. First, we need to divest ourselves of any inappropriate assumptions built into theories that were originally designed to describe large-scale industrial economies like that of Britain in the 1920s. Let us consider employment in Newfoundland in the light of current Newfoundland reality.

What, then, is the Newfoundland economy actually like? It is what economists call a 'small open economy' with a large service sector which is domestically oriented and a smaller goods-producing sector which is resource-based and export-oriented. The majority of goods produced within the province are shipped elsewhere for consumers outside of Canada, and these goods make a substantial, although declining, contribution to the Gross Domestic Product (GDP), as Figures 4.10 and 4.11 show. By contrast, most of the goods consumed in Newfoundland are manufactured in mainland Canada or in foreign countries, and are imported into Newfoundland via Toronto or Montreal. Hence, the Newfoundland economy is 'open to', or vulnerable to, outside influences over which it can have little or no control, in terms of what it sells and what it buys. In terms of trade, Newfoundland is a 'reactive' economy – it has to react to whatever is going on outside provincial, and often outside national, boundaries. This is a situation in which the creation of economic self-reliance is difficult. The problem is compounded by the fact that Newfoundland runs a chronic trade deficit: that is, it imports more than it exports. The deficit is financed by federal transfers as a result of economic union with Canada.

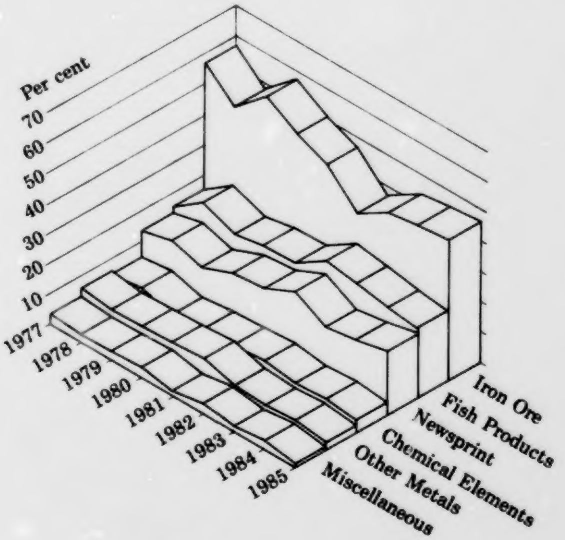
In practice, we can think of the Newfoundland economy as made up of two interdependent economies, one urban and one rural. The urban economy is based on administrative, service and large-scale processing activities, and is much like other Canadian urban economies in North America in terms of employment. The rural economy is what we think of as the outport economy, which is made up of small, resource-based communities whose traditional way of life is becoming more like modern North America in terms of life-style. The two economies are interdependent, because the rural sector needs the services provided by the urban sector and the urban sector depends on the rural sector for its customers. Together, the two are linked to the larger Canadian economy and the outside international economy.

In terms of employment and unemployment, the rural economy is currently in crisis, partly because it is based on resources and produces goods for export markets, and it is in the goods-producing sector that employment is down severely. In those urban centres which also have resource-based goods production as the mainstay of the economy (for example, Labrador City), there is also the potential for severe crisis. Where services to the provincial economy are the main base for

Figure 4.10

Distribution of Value of Exports by Major Commodity Groups

Newfoundland, 1977-1985



Source: Based on statistics prepared by the Newfoundland Statistics Agency from Statistics Canada Special Tabulations.

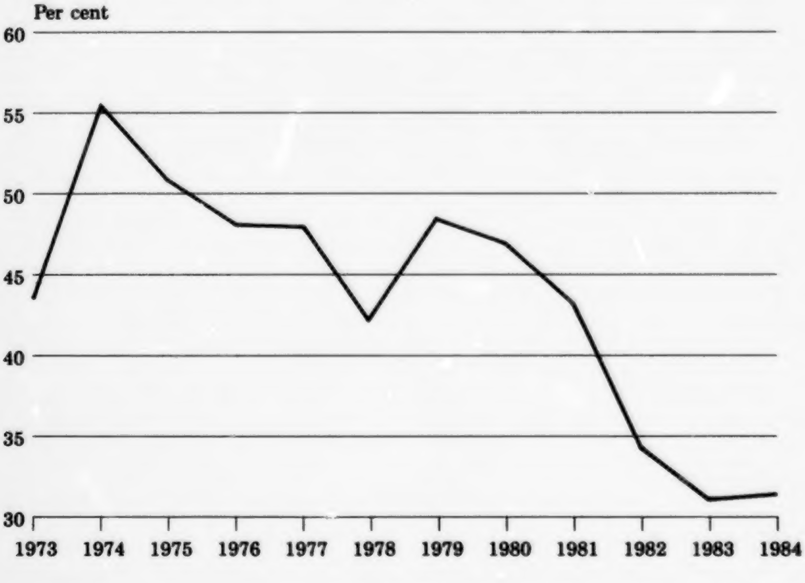
the economy – as in St. John's – the crisis is less severe. The service sector is the major employer, employing 73.3 per cent of those who are employed in the labour force; it is projected that this percentage will still be maintained by 1992.[14] So long as these services are domestically oriented, unemployment is only somewhat more problematic than elsewhere in urban Canada, in that it is partly derived from weakness in the rural sector as the customer for urban-based services. Where services are vulnerable to national or international decision-making, the potential for crisis remains, as in the case of the airport town, Gander, and those towns dependent upon military bases. In other words, whether urban or rural, unemployment is most severe in those places which are vulnerable to national or international forces outside provincial control. Even St. John's is vulnerable to federal government cutbacks beyond its control.

We can now go one step further and ask whether there is any difference in unemployment between urban and rural areas. The immediate answer is "yes". Unemployment usually means a lack of paid employment (wage work). In the urban economy, most employment is wage labour, but in the rural economy, along with wage labour, there is a considerable amount of non-wage work activity.[15] In an urban centre people 'go to work' or 'have a job' as their main productive activity,

Figure 4.11

Exports[1] as a Percentage of Provincial Gross Domestic Product

Newfoundland, 1973-1984



[1] Exports defined as exports to foreign countries and exports of hydroelectricity to other parts of Canada.

Source: Based on Statistics Canada 13-203; Newfoundland Statistics Agency.

but in the outports it is possible to 'have a job' as one form of economic activity, while it is also possible to cut wood, build a house, repair the car and so on as another form of economic activity. For the most part, unemployed Newfoundlanders are not 'idle', as standard economic theory would have them. Rather, they are busy working in the non-market or household production sphere of the local economy. This second kind of work does not give remuneration in the form of a wage or pay cheque, but it does have real value in that it produces goods and/or services which are useful to the family or community. We recognize that non-market household production is also important for many households in St. John's, and even in Toronto, just as we realize that not all rural people are involved in household production. It is really a matter of degree. The main point is that this form of real wealth creation is often ignored in economic policy analysis, and is only introduced in the current advanced microeconomic literature in a very simplified form. This simplification might be acceptable in urban economies where household production may play a relatively minor role, but it is a serious distortion for small-scale rural economies such as outport Newfoundland. For such cases, we need an economic model that takes a very wide variety of household production into account, but such a model requires, as we will show below, cash as a crucial input.

What all this means is that not only do we have several different meanings of 'work', 'employment' and 'unemployment', but it is also difficult to measure labour markets in outport Newfoundland because the whole concept of a market for labour (which is a wage-based concept) may well be inappropriate in such an area. The standard concepts such as unemployment rates are market-oriented and therefore give us an incomplete picture of what is happening in Newfoundland. Unemployment rates are much higher in the predominantly rural areas of Newfoundland: but what are they measuring? Is it unemployment or is it something more? There is great distress in the outport communities, as was made clear to the Commissioners again and again in the public hearings. The fundamental problem facing individuals in rural communities is not, however, market unemployment as such, but rather that their economic bases, of whatever kinds, are not secure. Their livelihood depends on a fishery which is highly variable, on annual make-work projects and on UI receipts which are now being questioned by deficit-conscious governments. People live in conditions of uncertainty and insecurity. The bases of their economies are vulnerable to decisions emanating from government and/or business which they are powerless to counteract. Listen to some Newfoundlanders speaking to this point:

A 41-year-old married man from St. Lawrence:

> I worked for about seven and one-half years with Alcan. It was a good job . . . .You were making a fairly good living . . . .When they pulled out and went and the cheques stopped coming in and the bonuses stopped, that was when you really felt it. The good times were gone then. That was in '76.
>
> It started going downhill for me then. I started off with a job in the Burin fish plant. In '77 and '78, I got enough stamps for pogey but the fish plant was no part of our life. All the miners hated it. We cursed the fish plant . . . .Anyway in 1980 the fish plant opened in St. Lawrence. We got work there to start off with. The first year was very good. I think we worked around eight months,

not making big money but living. The next year it was only opened for 12 weeks. And in '82 she never opened at all.

So I ended up on Social Services. That was the first time in my life. I felt bad but I had no other alternative to get a bit of money to live on . . . . You realize that there is not much you can do about it. It makes you feel like there is someone at fault. And you wonder if the government knows or cares how you feel. Do they know that two days or three days or four days before you go and get your welfare that you're half starved with nothing to eat? . . .The spring of '84 we went to work again in St. Lawrence with Fishery Products. We got 11 weeks and the next winter we were back on unemployment again. Young men who could get up every morning and jump over the moon, with nothing to do but sit around and draw pogey and half starve to death . . . .These past few years I don't mind telling you at times I was very bitter. This past year we've been on unemployment again getting $145.00 a week. It's not easy. I can sit down and think and look ahead and I cannot see nothing in my future. Not here in St. Lawrence. Not anywhere on this Island. You listen to the news and read the papers. There is nothing going nowhere. I mean what are you supposed to do? We've been listening to the Minworth story for three years now. It boosted us up at first but we're all sick and tired of waiting.

A 20-year-old single woman from the Port au Port Peninsula:

I was sort of thinking about going back to school to study social work but someone said there were jobs coming up at the Juvenile Assessment Centre. Nothing happened with that so I went to St. John's to look for work. I stayed with my sister for a month and a half but I didn't find any work. I was really down in the dumps and I figured that I worked so hard in the last two years and I'd think, 'How come there's no work for me?' All these thoughts were going through my head but people were saying it's not because you don't have the abilities, it's because there's no work right now. In a sense I believed it but it still didn't help me. It didn't cheer me up . . . .I never did think of not having a job. It gets harder as you get older because you keep thinking, 'My God I'm not getting anywhere with all this education'. This is what they say hard times is all about.

A family of eight in Happy Valley:

Things have changed. All they got now is social programmes for people. Now years ago, when I was growing up, you could go to Manpower and get a job. There's none of that, you can't do that now. The only thing Manpower is helpful for is drawing unemployment, that's all I know. They're no help for me, they're not even helpful for jobs. I get along good with them up there (at Social Services) for work. I have to go on social assistance for a couple of months until I gets a job. If I had no kids I'd never get a job. It's only because I got a family I gets those jobs. I'd like to get a longer job, like a pretty good job. I'd take it. But you can't get that here now. It's out of the question here. I don't think there's any. Not full-time jobs. Unless the Americans or somebody comes back here, something like that . . . . We're just scrounging along . . . it's hard. You can live but not like you're supposed to. When you're on social assistance, sometimes they give you a little bit extra oil or pays your rent, gives you a little bit extra. When you're on unemployment you gotta pay your own lights and fuel.

> You goes through a lot of fuel in the winter.... We do without clothes for the kids. I needs money for clothes. That's a problem. It's a poor situation.

A 36-year-old single man in Hopedale:

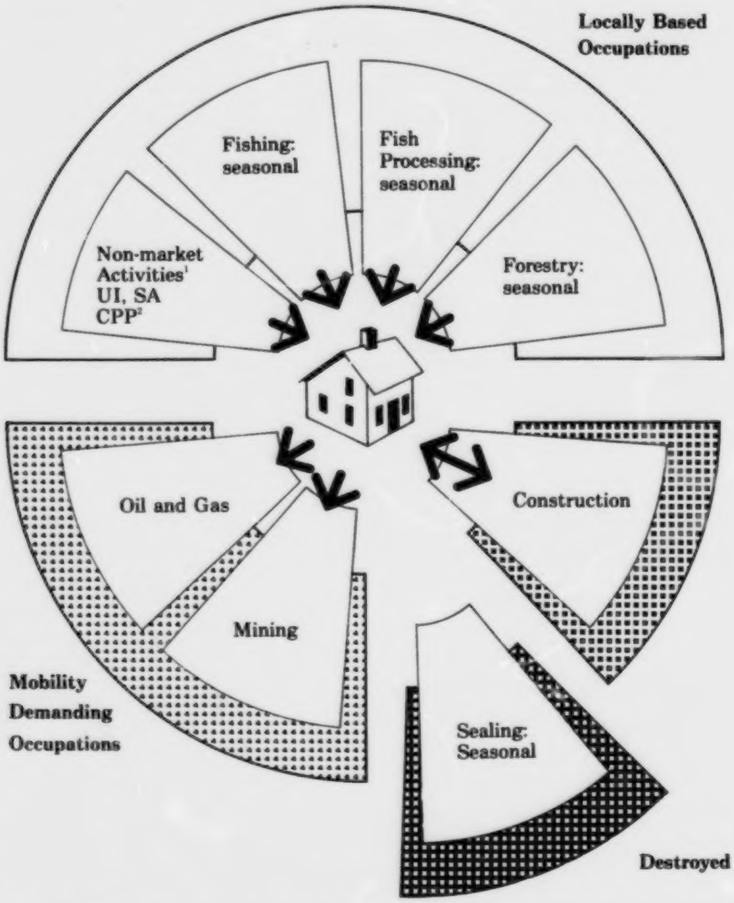
> Ten or 15 years ago, it was no problem to find work. Within the last 15 years, it's real bad. Like you're lucky if you get work now, just enough to get your stamps. The only way I can find work now is through Social Services. Now I got no choice but to go on welfare for a couple of months until I'm eligible for the work they give you. Then I'll draw unemployment, and when that runs out, it's your own tough luck, you gotta go on welfare again. You got no choice. It gets you down pretty bad. You get more money out of unemployment insurance but it's all the same thing, I guess. You're drawing unemployment, you're not doing nothing, you don't feel you're doing anything. Feels like you're just wasting your life away. That's the way I feel. It must seem easy to a lot of people, but in the long run you feel worthless, after a while. You can't do nothing for yourself or anyone else. You feel frustrated for one thing, fed up. A lot of times I've felt angry.... With the situation these days you don't know whether you're coming or going, you don't know where you could end up, what you'll be doing next year. Like you could be out on the street, nowhere to go, no work, no money, no place to stay. That's what happens you know when your unemployment runs out, when you're on welfare and nobody wants nothin' to do with you. It would be a whole lot easier if you had something to hang on to. At least you'd have an easier frame of mind.

This Commission recognizes that there is, indeed, a serious problem of unemployment in Newfoundland, but thinks that it is different in nature from what the official figures and standard economic analysis would lead us to believe. The problem has also been aggravated by our inability to understand what it is that is essential to maintaining life in outport Newfoundland. What actually happens is that people slip into and out of the labour force, adapting their various occupational skills to a labour-market economy as best they can. They try to weave together the self-employment of the semi-commercial outport society with wage labour and institutional support packages (such as UI) to create a viable existence. And they do this in a highly sophisticated manner: they are in fact optimizers, using the complex of available opportunities – part-time employment in several industries when available, make-work, UI and other benefits – to provide them with a livelihood based on their existing range of skills and a pragmatic calculation of which of their range of skills will serve them best when they claim UI. This is why we see such excess supply in unskilled construction work, for example. To call oneself a construction worker is the best hope for many Newfoundlanders of getting some cash income into the outport economy, through a combination of employment and UI.[16]

So there is a sense in which we may talk about false excess supply in some sectors of the Newfoundland economy. But this statement must not be misunderstood – benefits are not sought out of greed, but out of necessity. Figure 4.12 shows a generalized picture of the 'package' that Newfoundlanders put together to gain a livelihood.[17] **Cash is absolutely essential to this strategy.** Without it, essential inputs (materials, a truck, a skidoo for hunting and cutting wood, a boat, nets, fishing gear and so on) could not be acquired and the whole system would collapse. In other words, cash – whether from benefits or from employment –

Figure 4.12

Diagrammatic Representation of the Newfoundland Household Economy


Locally Based Occupations
Fishing: seasonal
Fish Processing: seasonal
Forestry: seasonal
Non-market Activities[1] UI, SA CPP[2]
Oil and Gas
Construction
Mining
Sealing: Seasonal
Mobility Demanding Occupations
Destroyed

---

[1] For example cutting firewood, growing vegetables, house and automobile repairs and other non-wage activities.

[2]UI Unemployment Insurance
SA Social Assistance
CPP Canada Pension Plan

funds the other parts of the pluralist economy. What has occurred, in fact, is an optimizing adaptation of the Canadian institutional and economic framework to the Newfoundland rural reality. In Newfoundland (and, we know, in other First World peripheral economies as in many Third World economies[18]), many of the rural so-called unemployed are productive, are much more self-reliant than the official statistics would suggest.

Appendix IV of this Report contains the model that we have developed to simulate the economic behaviour of Newfoundlanders. As the model demonstrates, when home production occurs, the production process uses energy, materials and natural resources as well as capital and labour. Some of the inputs require cash in order to be acquired. Our model emphasizes the vital importance of a basic cash flow to the household economy to pay for essential inputs into home production. By extension, the model explains the key nature of the implicit UI and make-work 'contracts' between outport Newfoundlanders and the various orders of government: these contracts provide the necessary cash input to home production. This cash input is then used to raise the well-being of the family above starvation level.

The model does more than this. It also identifies the whole adjustment process that has taken place in Newfoundland in response to supposed disequilibrium in the labour-market system. It explains, for example, why people stay in Newfoundland, even with lower wages, rather than move to other places where wages are higher. So long as the wage received, plus the benefits received, provide enough cash to sustain an adequate (that is, subsistence) level of household production for the semi-commercial outport economy, people will stay in Newfoundland. In other words, the wage is not being used in the way an industrial economy would use it – as the whole income on which one subsists. It is the start-up financial capital for a home production economy which permits people to subsist on lower cash flows than people in an urban-industrial economy could tolerate. It is, in fact, efficient. Newfoundland would not do better if the institutional support system were removed. Instead, this efficient adaptation would collapse, the adjustment mechanism would fail and individuals would bear the full costs of adjustment which would include the large loss of wealth that we identified earlier. Further, with little formal education, there is no guarantee that displaced workers could find employment. It is highly likely that the net social effect of forced adjustment is negative, with high social costs being ultimately borne by all levels of government.

The solution, therefore, becomes clear. What Newfoundland needs is an integrated strategy that fits this reality and works at the same scale as this reality, namely, at the level of the semi-commercial community and household economy. This is the scale at which make-work operates, but the problem with make-work is that it concentrates only on short-term cash input (which is its strength), instead of concentrating on output and on long-term economic development, which would be useful to the household and the community. Its weakness lies not so much with the concept, but in its application. Make-work identifies the scale at which demand adjustments could be made to work in Newfoundland.

Rural Newfoundlanders are existing in a second-best world in which they recognize that the cash income on which they base their pluralist economy is under stress, and insecure. They would prefer to have more wage work and to have more certainty that there will always be enough cash inputs to maintain them. The main problem is the insecurity of their current way of life, where so many of their sources of cash are under pressure: open to fluctuations in world markets, to industrial strategies which involve an efficiency shift to more capital intensive technologies, to attacks from politicians and officials who do not understand the dynamics of the outport economy. What it is vital to understand here is that this pluralist economy, with all its hardships, is still a better alternative for many people than to move away, abandon occupational pluralism and seek elusive jobs in the market economy. **Newfoundlanders are surviving on very small incomes, below the poverty line in many cases.**[19] Yet the outporter in Newfoundland knows, with justifiable pride, that "you'll never starve here".

We can take this even further and argue that, contrary to the perception that Newfoundland cannot, or will not, adjust to labour-market disequilibrium to any adequate extent, Newfoundlanders have in fact adjusted, and done so efficiently. Newfoundlanders have made an 'implicit contract' with various orders of government. They have woven together seasonal employment, make-work, household production, UI and other benefits, put their fixed assets in place and based their responsibilities and commitments on that contract. The whole structure depends upon there being a certain amount of hard cash available to provide the base for this pluralist economy. **If this base were removed, say through a radical overhaul of the UI system with no alternative income security programme, the whole structure would be undermined and Canada would have to deal with a rural poverty problem of massive proportions in outport Newfoundland.**[20]

The whole social, economic and cultural history of Newfoundland is rooted in the community life of the outport. This Commission recognizes the strength and value of the pluralist way of life, and also recognizes the severity of the crisis which it is now facing. This Report, entitled *Building on Our Strengths*, recognizes the survival value of this economy and seeks, not to destroy, but to strengthen it. We recognize the commitment of Newfoundlanders to their communities and seek ways to assist that commitment so that Newfoundland communities can become healthy, self-reliant and secure. We ask, therefore, if there are ways to build on this strength – can we restructure our policies so that this world can survive and prosper? This requires that we base our economic questions on a different understanding of how the Newfoundland economy works, built into an appropriate economic model which recognizes that individuals do supply labour services to areas other than the market economy, that is, that work and employment are not necessarily synonymous in an economy like that of Newfoundland.

Conclusion

Newfoundland is predominantly a rural society. The prospects for solving its developmental and employment problems through large-scale resource and manufacturing industries seem bleak and the 'adjustment process', whereby conventional economic approaches would have rural Newfoundlanders move to urban centres to find employment, is much less realistic than is generally assumed. In Chapter 3 (Figure 3.12), we pointed out that most people who became unemployed in Newfoundland lost their jobs rather than left them voluntarily. Therefore, the 10,000 or so new jobs per year that are needed to reduce Newfoundland's unemployment rate to close to the national average are not likely to come only from large-scale resource or manufacturing industries, or from the service sector as presently constituted. In this context, greater attention to small-scale, local employment creation in combination with the encouragement of spin-off developments from existing and new industry, appear to be the most promising strategy. Together, these make pragmatic sense.

Our analysis of work and unemployment in Newfoundland provides more grounds for optimism than official unemployment statistics imply. Through a combination of self-employment, wage employment, domestic production and UI, Newfoundlanders have managed to weave together a successful, if vulnerable, economic adaptation. This Commission advocates that - because realistic alternatives are not presently available, and because many Newfoundlanders themselves believe in the potential economic viability of their small communities - a strong policy supporting regional development, which builds upon the strengths of the outport economy, should form an important part of a long-term employment strategy for Newfoundland. This policy thrust would not supplant, but would rather balance and be integrated with, continued efforts to reap more local benefits from, and gain greater control over, the province's large-scale resource industries. In Part II of this Report, we shall examine the Newfoundland economy and society in terms of its natural and human resource potential. In Part III, we will offer an integrated strategy for employment that attempts to do justice to both small-scale regional, and large-scale provincial, opportunities and potentials.

Notes

1. Lawrence Copithorne, *Newfoundland Revisited*, Economic Council of Canada Discussion Paper 296 (Ottawa: 1986); see also *From Dependency to Self-Reliance* (Ottawa: ECC, 1980).

2. See Reuben Gruneau, "Leisure, Home Production and Work: The Theory of the Allocation of Time Revisited," *Journal of Political Economy*, 85, No. 6 (1977); Robert A. Pollak and Michael L. Wachter, "The Relevance of the Household Production Function and Its Implication for the Allocation of Time," *Journal of Political Economy*, 83, No. 2 (1977), pp. 255-277, and Angus Deaton and John Muellbauer, *Economics and Consumer Behavior* (New York: Cambridge University Press, 1980), Chapter 10.

3. Copithorne, *Newfoundland*, p. 4-19.

4. The material in this section and much of this chapter is based on a Background Report to the Commission by Douglas May and Al Hollett, "The Causes of Unemployment in Newfoundland", 1986.

5. Except in job creation (make-work) projects.

6. Schrank *et al* have built and tested a model for the fishing industry. While these authors have estimated labour demand, they do not have labour supply. Schrank, Roy and Tsoa, "An Econometric Model of the Newfoundland Groundfishery: Estimation and Simulation", a Report submitted to the Department of Fisheries and Oceans, Department of Economics, Memorial University of Newfoundland, 1984 (356 pages); Schrank, Roy and Tsoa, "Employment Prospects in a Commercially Viable Newfoundland Fishery: an application of an econometric model of the Newfoundland Groundfishery," forthcoming, 1986.

7. To do this, we use a simple Leontief-type fixed coefficient function which ignores changes in other explanatory variables and the dynamics of adjustment, but permits an initial analysis.

8. Calculated by annual averages. This figure is 'net' – additional jobs minus losses. Statistics prepared by the Newfoundland Statistics Agency and by the Royal Commission, from the Census of Canada, COPS data and Statistics Canada.

9. Measured in constant (1981) dollar contribution to GDP – the best available measurement.

10. There are considerable data difficulties involved in trying to match supply and demand for analytical purposes, and the poor nature of the information available (for example, the absolute lack of vacancy data) is itself a problem which should be remedied if we are to be able to address our labour-market problems. For a detailed discussion of this, see May and Hollett, "Causes", Chapter 5.

11. Indeed, there appears to be a problem here which is wider than just the training institutions we possess. We do not have good vacancy information. CEIC programmes, which should aid the adjustment process of changing supply response to meet changing market demand, have no mechanism for relaying vacancy information to policy planners. Moreover, models such as COPS will only be as good as the vacancy and take-up information they receive, and this information is not as good as it should be, either on the supply or demand side. This is one clear improvement that must be made if the province is to prove flexible and responsive to job opportunities as they arise.

12. It is worth noting here that in the traditional Newfoundland economy, Newfoundlanders devised a way of turning immovable into movable wealth: houses were often lifted onto floats and moved across bays to other locations. Today, some houses are moved by trailer in a modern version of this adaptation to mobility as an essential component in the Newfoundland way of life.

13. The results of a small, preliminary Commission survey show this to be the average cost of an outport house of approximately 1,200 square feet.

14. See Richard Fuchs, "The Service Industry in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986, pp. 9, 13 and 52.

15. For a good discussion of these differences, see Robert H. Hill, *The Meaning of Work and the Nature of Unemployment in the Newfoundland Context*, (St. John's: Community Services Council of Newfoundland and Labrador, 1983).

16. If we look at this another way, we can see (for example) that to select 'animal husbandry' - although some people would have such skills - would be too restrictive.

17. The historical roots of this strategy have been discussed in more detail in Chapter 2 of this Report.

18. David Ross, *From the Roots Up*, (New York: Bootstrap Press, 1986); Eva Nordland, tapes of her discussions with this Commission; see also a large literature on income-in-kind.

19. See David Ross, "Report on the Income Security System in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986, p. 5.

20. The situation would in all likelihood resemble some poor native communities in Labrador: See Chapter 6.

PART II

Economy and Society in Contemporary Newfoundland

Part II of this Report provides a contemporary overview of our Newfoundland economy and society as they affect, and are affected by, employment and unemployment. Chapter 5 describes the current situation and the future prospects for each main industry in the province. It shows that employment prospects are not encouraging in the major goods-producing industries (resources, manufacturing and construction), but that the outlook is more promising in the service industries, despite a lower expected rate of growth than that of the past decade.

While Chapter 5 deals with the demand side of the Newfoundland labour market, Chapter 6 examines aspects of the supply side: that is, the people of the province who either are, or soon will be, part of the labour force. First, it provides a brief overview of the current state of education and training in the province, which is the major determinant of the quality of our human resources and their suitability for the kinds of employment opportunities that we foresee. Then it looks at various groups within the population who experience special difficulties in finding employment: Labradorians, native peoples, people in single-industry towns, people in regional pockets of particularly high unemployment, youth, women and people with disabilities. Finally, it examines the income security system which society provides for those unfortunate enough to be unemployed, and gives us a glimpse into the difficult social and personal world of the unemployed and underprivileged members of our society.

The discussions in Part II make it clear that, unless new policy initiatives along the lines recommended in this Report are pursued vigorously, chronic high unemployment will continue to plague Newfoundland society and affect the lives of thousands of its citizens for years to come.

CHAPTER 5

A Sectoral Review of the Newfoundland Economy

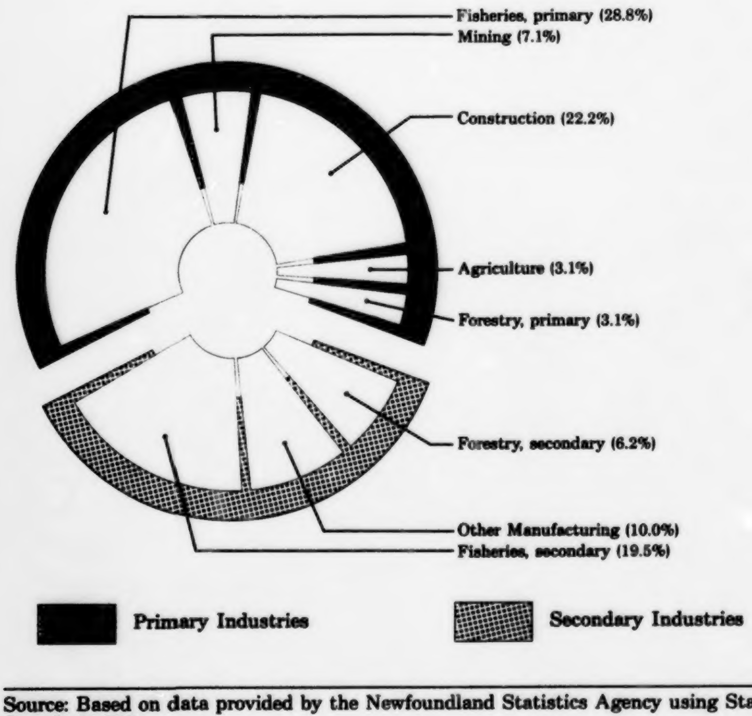
While Chapter 4 pointed out the need to modify standard economic models in order to take into account the workings of the labour market in rural Newfoundland, nearly all the information collected by Statistics Canada and available to this Commission assumes a standard classification of sectors and industries in keeping with the standard models. In this chapter, we will provide a review, by sector and by industry, of the Newfoundland economy, with a particular focus upon employment trends and prospects in each industry. Section I deals with the goods-producing sector: resources, manufacturing and construction; and Section II with the service sector: transportation, communications, trade, tourism, public administration and a host of business, public and private services.

This chapter is both descriptive and prescriptive: we describe current trends and prospects, and make several recommendations about how employment within specific industries can be enhanced. The specific recommendations for each industry in this chapter will be complemented, in Part III of the Report, by more general recommendations for implementing an integrated employment strategy for Newfoundland.

Figure 5.1

Employment in the Goods-Producing Sector

Newfoundland, 1985



Source: Based on data provided by the Newfoundland Statistics Agency using Statistics Canada 71-001.

I. The Goods-Producing Sector

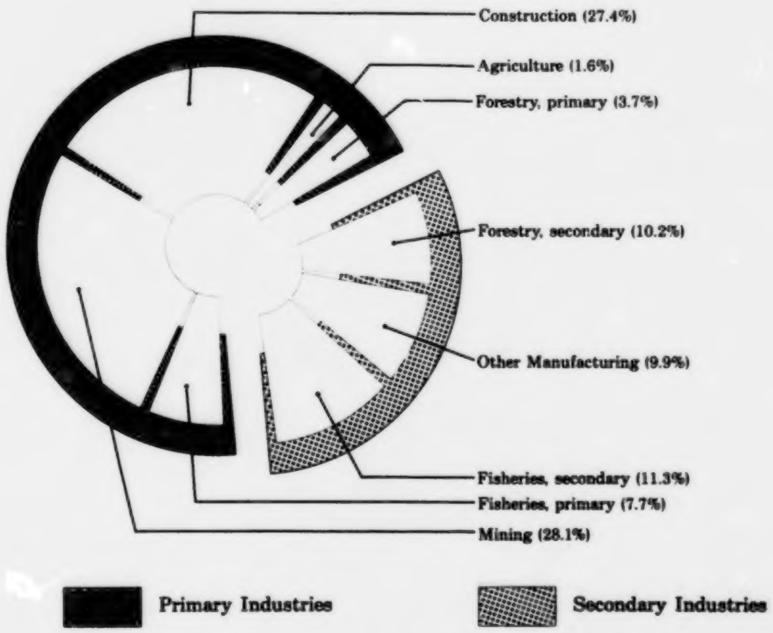
The goods-producing sector includes the province's primary resource industries such as forestry and fishing, as well as the manufacturing and construction industries. The vast and varied natural resources of this province, which are central to the goods-producing sector, have long contributed to local employment and income. Indeed, these resources were the basis of early settlement. However, the links between resources and employment and income have begun to weaken over the last quarter of a century.

A close look at the goods-producing sector will reveal some interesting facts. If the processing of fish and the production of pulp and paper are separated from the manufacturing statistics shown in Figures 5.1 and 5.2, it is clear that the secondary manufacturing base of the provincial economy is both small and not highly diversified. Another fact also becomes clear: mining remains much more important as a contributor to provincial economic output than it is to employment, as we saw to be the case historically in Chapter 2. The fishing industry

Figure 5.2

Gross Domestic Product at Factor Cost in the Goods-Producing Sector

Newfoundland, 1985



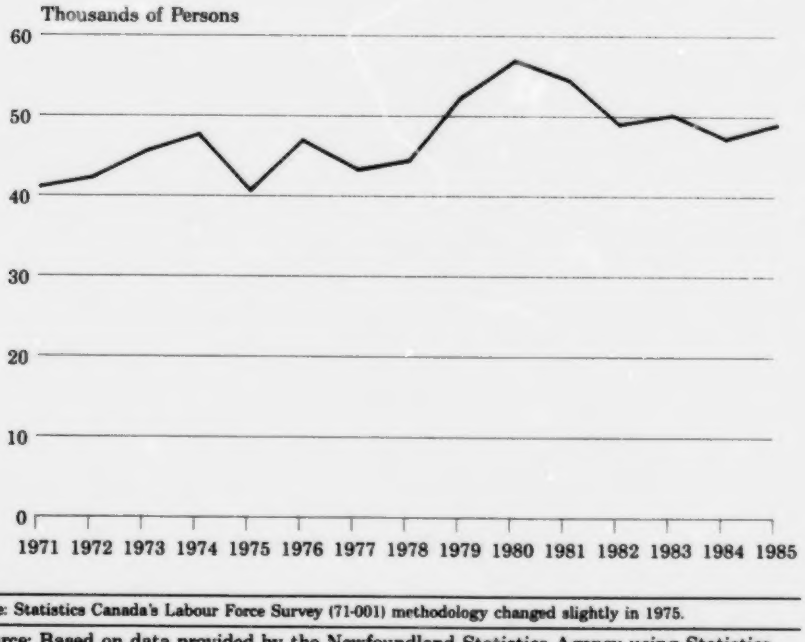
Source: Based on data provided by the Newfoundland Statistics Agency.

accounts for nearly half of the employment in the goods-producing sector, further emphasizing its enduring importance to this province. Most of our major resource industries export their products to markets all over the world. Competition from other countries, world demand and market restrictions have forced these major industries to attempt to become more competitive. As a result, operations are becoming more labour-efficient, new technology has been introduced and some operations have been forced to shut down. At the same time, some resources have become downgraded or depleted. All these conditions have led to extensive reductions in employment levels in the goods-producing sector. In the early part of this decade the province was affected by a world-wide recession, which led to severe reductions in employment levels in this sector. Now, while production and output may be returning to pre-recession levels, employment levels remain relatively low, suggesting long-term structural, technological and operational changes in these industries as a result of the recession. Figure 5.3 shows a downward trend in employment in the goods-producing sector since 1980, while Figure 5.4 reflects the impact of both the recession and the subsequent recovery on output.

Figure 5.3

Employment in the Goods-Producing Sector

Newfoundland, 1971-1985



Note: Statistics Canada's Labour Force Survey (71-001) methodology changed slightly in 1975.

Source: Based on data provided by the Newfoundland Statistics Agency using Statistics Canada 71-001.

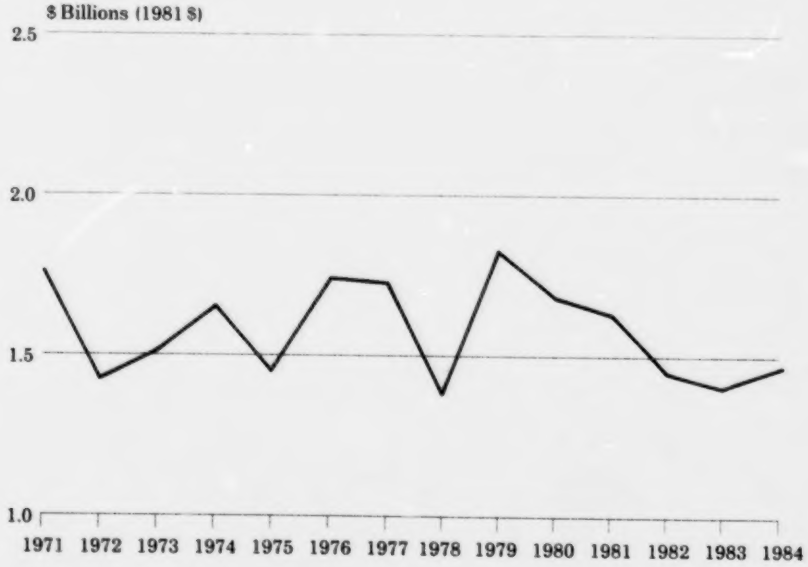
Nonetheless, the Commission believes that, if the balanced development strategy suggested here is pursued, there may yet be opportunities for increasing employment in the goods-producing sector. In the established industries, employment maintenance must be stressed; we have to make our mining, papermaking and fishing industries competitive in international markets. Some short-term job loss may even be necessary to ensure productivity and thereby protect jobs over the long term. Some new jobs will be created with the opening of new mines and there is still the possibility of a pulp mill in Labrador. The oil and gas industry will also provide new jobs. The Commission advocates as well that new resource industry initiatives be taken in agriculture, animal products, aquaculture, and alternative energy sources such as peat and wood chips. We also think there are many untapped opportunities for capturing spin-off benefits from our big resource industries, and the province should be pursuing these more vigorously.

We begin this section by examining possibilities in our oldest industry, the fisheries. We then look at our other established goods-producing industries - mining, forestry, energy, secondary manufacturing and construction - and conclude by describing exciting new possibilities in agrifoods and offshore petroleum.

Figure 5.4

Real Value-Added Output in the Goods-Producing Sector

Newfoundland, 1971-1984



Note: Values for 1985 are not available.

Source: Based on data provided by the Newfoundland Statistics Agency.

The Fisheries and Aquaculture

Most Newfoundlanders continue to live in small rural communities. As of 1981, 341,445 people (60.2 per cent of the provincial population) lived in communities of less than 5,000 inhabitants, and 182,912 people (32 per cent) in villages of less than 1,000 people. The economic base of these communities has traditionally been the fishing industry and, even today, an economically healthy fishery means buoyancy in retail trade and in the service sector of all regional centres in Newfoundland.[1]

However, while restructuring has apparently resolved some fundamental problems in our offshore fishing industry, it has done nothing to remedy basic structural weaknesses in the inshore fishery. Of all the problems that beset the outport communities and the inshore fishing industry in Newfoundland, two predominate: alienation and demoralization. Local people feel alienated from the centres of power in Newfoundland and Canada; they feel that they have little or no say over the decisions that affect their lives – including decisions about fisheries management and regulations – and they feel demoralized. They feel that their way of life is looked down upon, that the powers that be don't understand their needs and problems, and that the fishing industry is being 'regulated to death' to such an extent that outport people can no longer rely upon it as the economic mainstay of their lives.

Employment Trends.

Historically, fishing was the main occupation of most Newfoundlanders. In 1891, almost 55,000 people, or just over 83 per cent of the Newfoundland labour force, were employed directly or indirectly in this industry. During the pre-Confederation years the numbers remained fairly stable, although they declined after World War II. By 1951 the 18,000 fishermen and fish-processing workers were only 20 per cent of the provincial labour force. During the next 20 years, a period in which the fisheries suffered from both national neglect and foreign overfishing, the number of fishermen declined to a low of 12,763 in 1974. In the same period the shift from salt to frozen fish produced a major transformation in the pattern of fisheries employment. As of 1985, there were 26,615 registered fishermen and, as of 1984, 25,021 plant workers, in Newfoundland (See Tables 5.1 and 5.2). From 83.4 per cent in 1891, the fishing industry's contribution to employment in Newfoundland has fallen to 10 per cent of the labour force today.

Much of this decline is due to the opening up of new employment opportunities in other industries. As these alternative opportunities declined again during the 1970s, new attention was accorded the fisheries by both federal and provincial governments. In 1977, following the lead of other more aggressive states, Canada declared a 200-mile exclusive economic zone and began to establish a national fisheries policy. The combination of shrinking alternative employment opportunities, new optimism in the fisheries and virtually unrestricted entry for new aspirants, led to a rapid increase in the numbers of fishermen and plant workers to 35,271 and 21,064 respectively by 1980. The boom of the later 1970s, however, was quickly followed by a bust. Fish-processing companies, and those fishermen who, encouraged by government incentives, had invested heavily in new capacity in the 1970s, quickly found themselves in dire financial difficulty.

Table 5.1
Number of Registered Fishermen For Selected Years

Newfoundland, 1961—1985

Year	Full-time	Part-time	Casual	Total
1961	—	—	—	18,756
1965	—	—	—	—
1970	1,855	7,282	8,628	17,765
1975	405	3,811	11,586	15,802
1980	10,885	24,386	—	35,271
1981	13,375	15,212	—	28,587
1982	13,571	13,808	—	27,379
1983	13,504	14,570	—	28,074
1984	13,456	14,161	—	27,617
1985	13,324	13,291	—	26,615

Definition (1969 - 1979)
Full-time: those who are engaged in the fishery for a period of over 10 months of the year.
Part-time: those who are engaged in the fishery for a period of over five and up to 10 months.
Casual: those who are engaged in the fishery for less than five months.
Definition (1980 onward)
Full-time those who have fished for at least two consecutive years throughout the normal fishing season for their area as the operator or crewmember of a registered fishing vessel.
Part-time all those remaining fishermen who do not satisfy the full-time criteria.

Source: Fisheries Statistics and Systems Branch, Department of Fisheries and Oceans.

Table 5.2
Number of People Processing Fish

Newfoundland, 1975—1984

Year	Total Employed	Estimated Number Person-Years
1975	10,283	3,878
1976	10,743	5,201
1977	10,670	6,473
1978	15,536	7,446
1979	20,736	8,969
1980	21,064	7,996
1981	23,282	8,486
1982	23,706	7,570
1983	22,578	9,100
1984	25,021	7,900

Source: Newfoundland Government Department of Fisheries.

The Evolution of Fisheries Policy and Fisheries Restructuring.

Since the early 1970s, Canadian fisheries policy has often been perceived as being based on the idea that there are too many fishermen chasing too few fish. The implication here is that, without government regulation, there is a danger of excess harvesting capacity being created with consequent damage to stocks and declines in fishermen's incomes. While the federal Department of Fisheries and Oceans (DFO) formulates policies around concerns about stock management and catching capacity (which is related to vessel size rather than number of fishermen), and although quotas do protect the inshore by limiting offshore catches, nonetheless, the inshore fishery has not received the kind of active official support that would allow healthy development of this part of Newfoundland's fishing industry.

A series of policy documents, in particular the 1976 *Policy for Canada's Commercial Fisheries*, have laid the ground rules for the involvement of the state in fisheries management during the 1970s and 1980s. By far the most important initiative was the declaration of the 200-mile exclusive economic zone in 1977. This provided the basis for fisheries' revival from 1978 to 1980. Despite such policy initiatives, a period of over-investment by Canada's major fish companies in the later 1970s led to a new crisis during the economic recession of the early 1980s. The Task Force on the Atlantic Fisheries (The Kirby Task Force) was set up in 1982 to deal with this latest in a long history of fisheries' crises.[2] It recommended many changes in the industry but, most important for present purposes, was its assertion of a basic philosophy for fisheries development. The Task Force argued that government had to make a hard choice about which goal was more important, economic viability or employment. It suggested that fisheries policy had to reflect "both economic and social realities", and proposed that viability could be achieved by industrializing and modernizing the fishing industry on the model of other successful resource and manufacturing industries, in other words, by 'restructuring' the industry.

This Commission accepts restructuring as a given, and recognizes the current success of the offshore fishery. Clearly, a partial solution to the industry's financial difficulties is in the process of being implemented. However, as a Commission concerned with employment, we cannot let matters rest here. We wish, therefore, to take a closer look at the inshore fishery, where the problems still have not been solved.

The Inshore Fishery.

The logic of Canadian fisheries policies since the mid-1970s is not well-suited to the small-scale, inshore sector of the Newfoundland fishery. Fisheries policies have focused first and foremost upon the management of fish as a resource, and secondly upon an industrial division of labour among specialist fishermen. This industrial, resource-centred logic, however, does not apply to the inshore fisheries of Newfoundland. Rather than specialization, sharp division of labour and long-term occupational careers, many inshore fishermen depend upon flexibility, a wide range of skills, and the pursuit of a variety of different economic opportunities, both seasonally and throughout their working lives. **During the past decade Canadian fisheries policies have tended to undermine the freedom, flexibility and adaptability of inshore fishermen. Since alternative economic opportunities have** also been contracting during the same period, these policies have inadvertently been contributing to the serious unemployment problem that now affects rural Newfoundland.

Since 1980, Newfoundland small-boat and longliner fishermen have also suffered from the rapid decline of the seal fishery, due to the European Economic Community's (EEC) boycott on seal products. Longliner fishermen along the north-east coast experienced a short-lived boom in sealing in the late 1970s. This was a very important part of their economic adaptation, providing much-needed cash in the spring which was then used for gearing-up for the summer fishery and helping to make loan payments on boats. The combined effects of the decline of the seal fishery and escalating interest rates in the early 1980s was a double blow from which many nearshore fishermen on the Island and Inuit fishermen in Labrador were unable to recover.

It should not surprise us that inflexible policies for the inshore do not work, given the manner in which the inshore fishery has survived throughout our history. Until quite recently (post-Confederation), that fishery was but one part of an integrated seasonal round of activities in the traditional Newfoundland community, as we saw in Chapter 2. It was the central, not the only, occupation, the one which provided households with income in the form of credits on the merchant's books. It is only since Confederation that the inshore fishery has come to be seen as a full-time occupation in the modern industrial employment sense of that expression, and it is only for a minority of fishermen that the adaptation to that structure has worked. It is no accident that it is the offshore that has successfully made the transition from a traditional to an industrial fishery – it has always been full-time, whether as the old 'banks' fishery, or the modern 'offshore'.

We conclude, therefore, that the ills of the inshore lie partly in the efforts that have been made to turn it into what it has never been: a year-round full-time employer. This has happened because seasonality has consistently been seen as a problem that has to be removed, rather than as a natural component of the outport economy which can be turned to advantage. Historically, both the fisherman and the fish merchant recognized the seasonal nature of the inshore and worked with it to realize the advantages that could be gained from it. Many merchant firms along the east coast of Canada, for example, used to maximize their flow of fish to markets by locating fishing stations on different parts of the coast, ready to harvest the resource at different times of the year when the fish struck at the various locations. They could not have done that unless their labour force had other occupations to support them for the non-fishing seasons, and the pluralist economy provided such. Thus, the entrepreneurial strategy of the fish merchant interlocked with the family pluralist enterprise strategy to provide both merchant and fisherman with an optimal level of production.[3]

Today, under different world conditions of economy, politics and technology, the solution of the nineteenth century needs to be recast, not ignored. We need the imagination, the modern infrastructure and the political will to adjust the historical insight of seasonality as a strength[4] to modern conditions in the industry. That translates into the following:

- a skillful combination of multiple-species fishing;
- the recognition, and co-ordinated utilization, of different marine ecological niches at different times of the year for different catches and markets;

- appropriate technology and new marketing strategies;
- all interlocking in such a way as to take advantage of seasonality in the inshore, using it so as to gain for the inshore sector an enviable flexibility in the supply of fish products to a range of markets.

To be specific, with the proper entrepreneurial, harvesting, processing and marketing infrastructures in place, Newfoundland could provide a variety of different species of fish and fish products to a variety of different markets at different times of the year, to match differing demands in the market-place – if seasonality were manipulated positively to widen the range of responses available to the industry in the face of a variable market-place.

This is precisely where the small-scale community-based fishery can find its place, and where the giant industrial firm – which is locked in to certain production levels and therefore large market niches – is less well adapted. The community fishery that can provide caplin in one season, lobster the next, crab, herring, scallops, or mussels and so on over the course of the season, will not be so vulnerable to market peaks and troughs as is the selected-species industrial large-scale fishery. The latter ensures its success through large catches of a fairly limited number of species which are caught over an extensive season, and through the vertical integration structures that ensure control over its product from harvesting to market-place. That is not to say that the Commission rejects the large firm and the industrial fishery. On the contrary, we applaud the success of that part of the industry. But we do not see the need to stop there. The political and economic vision that could restructure the offshore, now needs to be turned to the inshore, and the same kind of energy and commitment that turned a recently-bankrupt offshore sector around, now needs to be applied to the challenge that the inshore fishery offers.

It is not the place of this Commission to write a detailed blueprint of the path that will have to be followed if the inshore is to be restructured in its turn. That would take the kind of single-minded focus that only another task force could bring to bear on the issue. Nonetheless, we have some substantive observations to offer on the subject. We recognize that the picture of a revitalized inshore fishery which we have begun to paint here would require a radical overhaul of many aspects of our thinking and operating in the industry. Moreover, to be successful it would require the integration of the inshore fishery with the kind of development path that we will be proposing throughout this Report for Newfoundland. What is very clear is that the following, at least, would have to be rethought, or in some instances created:

(i) Resource management policies for the inshore.
(ii) Processing facilities, freezer (storage) capacity and appropriate technologies.
(iii) A marketing organization in Newfoundland to co-ordinate the many inshore enterprises.
(iv) Aquaculture.
(v) Other support structures, such as education and the upgrading of fishing skills.

We wish to deal briefly with each of these in turn.

(i) Inshore Resource Management Policies.

Since 1974, government has been using licensing policies to regulate the inshore fishery. There are in effect two licensing systems for inshore fishermen in place today: limited entry licensing and personal registration. The objective of the limited entry licensing policy has been to match the number of fishermen for each particular species to the resource. The trend has been to reduce gradually the number of licences and thereby, theoretically, to improve the general earnings of fishermen. The system forces fishermen to specialize in particular species, a process that is directly contrary to the flexible adaptation that inshore fishermen traditionally practised, and would need to practise again under our scheme for a multiple-species inshore industry.

The full-time/part-time registration system also undermines outport Newfoundlanders' economic flexibility. In a bad year, a fisherman would now have to risk losing a full-time licence if he or she were to go away in search of work, take a construction job, or accept any other sort of paid employment during the fishing season. A part-timer who engaged in other economic activities would jeopardize his/her chances of ever attaining full-time status. The two licensing systems that now apply to inshore fishermen undermine the autonomy and flexibility that have been so important to successful economic adaptations in Newfoundland outports. The Commission is not suggesting that licensing of inshore fishermen should be abolished altogether, but that the system should be changed so that it permits both flexibility and the professional development of inshore fishermen.

Despite the reduction in the number of part-time fishermen, this has not improved the incomes of those who remain. This is partly because inshore fishermen's incomes depend upon the price they get for their fish, the availability of that fish (size of catch) and the types of licences they hold, rather than upon the number of inshore fishermen. Some concern has also been expressed recently, however, that offshore catches may be depleting inshore cod catches and, if this proves to be the case, it would obviously be a severe constraint on inshore fishermen's incomes. With the exceptions of otter trawl inshore draggermen on the north-west coast and, in some years some special species fishermen such as crab fishermen in Conception Bay, earnings from the inshore fishery are chronically low. Incomes from fishing have also been consistently below the average income of the Newfoundland work-force. The financial difficulties of longliner vessel owners, in particular, are largely the product of government policies and vacillations in those policies. During the growth years of the 1970s, fishermen were actively encouraged by generous programmes to purchase larger boats. For north-east coast and Labrador fishermen, financial problems have been compounded by the fate of the Newfoundland seal hunt. The collapse of the hunt, together with the series of poor years in the inshore fishery, have spelled ruin for many longliner enterprises.

Moreover, current management policies operate against the possibility of creating viable community enterprises. They restrict the potential outport fishery entrepreneur from acquiring the range of species which would turn seasonality into a benefit and the fish-catching business into a multiple-species operation. And they inhibit this potential for growth without providing any clear alternative path to self-reliance for fishermen. In short, they restrict flexibility, stifle entrepreneurship, render the inshore fishery problem intractable and stand in the way of any new direction for the inshore fishery of the future.

Table 5.3
Number of Fish-Processing Plants by Category

Newfoundland, 1985

Category	Companies	Plants	Employees
The 'Big Two'	2	30	11,145
Large Independents	9	48	4,974
Small Independents	95	112	7,239
Community-Owned and -Operated	4	12	948
Salt Fish Industry	6	18	715
Total	**116**	**220**	**25,021**

Source: Newfoundland Government Department of Fisheries.

(ii) Fish Processing,
Freezer (storage) Capacity, Appropriate Technology.

The fish-processing sector in Newfoundland is dominated by Fishery Products International (FPI) and National Sea Products. In 1985, their 30 plants produced about 200 million pounds of fish, constituting 60 per cent of total provincial production. They also employed about 11,000 plant workers, nearly 45 per cent of the fish-processing sector's work-force. Since 1981, these two companies have also been the only ones to enjoy significant financial assistance from government, including FPI's grant of $10 million from the Burin Peninsula Development Fund to upgrade its secondary processing and trawler refit facilities at Burin. Both Fishery Products International and National Sea Products appear to be making significant progress towards long-term economic viability.

Despite the domination of these two big companies, most fish plants in the province are run by other, smaller operators, including a small number of co-operatively owned plants (See Table 5.3). These smaller independents provide markets to inshore fishermen, process large quantities of fish, contribute significant revenues to the provincial economy, employ thousands of people and are the economic mainstay of more than 100 coastal communities.

The growth of inshore fish processing during the past 30 years has been piecemeal and sporadic, fuelled as much by social pressure and political expediency as by sound economics. As household production of salt fish died out, Newfoundland fishermen and fishing communities became dependent upon the growth of regional fish plants for the sale of their fish. The local fish plant also became a major employer, especially for outport women. Organizational productivity and quality control have received little attention; owner-operators are under-capitalized and poorly trained in management techniques; plant and equipment tends to be outmoded and ill-designed. Furthermore, the lack of a clear policy for the inshore has resulted in undirected plant expansion fuelled more by government subsidization than by sound business prospects, with a consequent overcapacity in some regions. This has created resource shortages for some plants, which exacerbate the appearance of seasonality and cyclical resource shortages as insoluble problems in the inshore sector.

What can be done to rationalize this sector? In the first instance, fisheries policies in the processing sector need to strike the right balance between sound resource management and community development needs. Such a policy must understand and tackle the problems of the industry in terms of the community and regional context in which it operates. Seen thus, and within the framework of a multi-faceted network of small-scale fishing enterprises which draw on different marine resources by season and by location, a number of possible solutions become apparent:

- A system of **Freezer (storage) Units** could be established in appropriate locations across the province. These would purchase excess raw materials as they are landed as well as hold final products made by small- and medium-sized processing plants to await entry into the market. Large midshore vessels could also deliver raw materials which would be held for later processing in the fall and winter. Since small fishermen cannot afford such an expense, government should help finance and co-ordinate this system of regionally based freezer (storage) facilities, which are provided in most other parts of Canada by the private sector.
- Raw material landings could be better co-ordinated than they presently are with the seasonal requirements of the onshore processing sector. This should be done ideally on a regional or sub-regional basis to suit the specific capabilities of fish plants within an area. Co-ordination of landings is currently one of the most critical problems facing small processing facilities. Good co-ordination here would reduce excess purchases of fish, improve quality, use plant equipment and labour more efficiently and maximize the amount of fish that could be processed. It would also allow small firms to invest in the kind of mechanized systems which could reduce their overall costs of production.
- The above improvements could be achieved by using the Freezer (storage) Unit system and also by creating new containerized transportation systems to move raw materials from their landing point to end users or storage units. One firm now lands fish in Burgeo during the winter and trucks this to its processing operations in Clarenville and Leading Tickles. As a result, both small plants remain open for most of the year.

We can, and should, go further and consider diversification within, and out of, the processing sector. We have already stated that the inshore sector needs to become oriented towards multi-species production, targeting specialty market niches and providing a variety of specialty-type products for a broader range of world markets. At present in Newfoundland, there is a large number of single-product plants, geared to producing a relatively narrow range of frozen groundfish mostly for the U.S. market. Preoccupation with this market, and a general lack of detailed market information, have prevented small firms from developing a more diversified product range and also hindered 'single purpose' specialty plants from serving small high-value product markets. We would advocate separate salmon/herring/mackerel smoking plants, as well as plants which are specialists in the utilization of a large variety of marine products which do not exist in great abundance.

Furthermore, we think smaller firms might be able to gather together semi-processed products and carry out specialty processing. Beyond this, we recognize that in the long run there is a need to create an ability within existing inshore plants to make better use of their by-products. Possibly they could develop separate specialized processing operations. Examples include new possibilities for fish meal and fish oil production, linked in with aquaculture feedstock production. Finally, changes are needed in the way plants currently use different kinds or sizes of raw materials. A good example here is the benefits which can arise from sorting and grading before raw material enters the processing system. In Norway and Nova Scotia, for example, smaller firms distinguish between raw materials which should be dried, smoked, salted or frozen. Surimi is yet another example of a different way in which to process and package raw product for a high quality market. A start has already been made here - the only surimi producing plant in Canada today has been established at Clarenville.

(iii) Marketing.

The kinds of improvements we are suggesting here will require changes of many kinds - technological, infrastructural and educational. None of this will be practical, however, unless we can demonstrate that the markets exist for the proposed products of the 'new' inshore, and that we can sell in those markets. We have to create the required information channels which small processing firms need to deal effectively with world fish product markets. At present, many producers rely on F.P.I. to gain access to markets, while the Independent Fish Processors Association has gone some way towards establishing its own independent marketing effort. But until every small firm is aware of the wide diversity of potential market niches which do exist, they will not be able to plan how to make the products which can serve those markets effectively. The best solution would be to create an independent province-wide marketing organization, in which a small firm would be able to call up the information needed to assess which markets it should be targeting, or which products were in high market demand. What is needed, in effect, is to recreate the brokerage system used in the salt fish trade, but now utilizing modern communications systems.

The Newfoundland fishery is highly dependent on the United States market, which accounted for 80 per cent of groundfish sales in 1985. Marketing strategy for the inshore industry should shift the emphasis away from United States markets and encourage smaller firms to start producing for specialized market niches. In conjunction with efforts to provide a marketing system which could be accessed by all small firms, there is a need to provide the support and financing needed to identify, develop and test new fish products for consumers in these markets. At present, both governments provide only a limited amount of support for these kinds of activities, and few of the smaller firms have any in-house capabilities of this nature. In Norway and Iceland, there are close linkages between processors, marketing groups and fishery research organizations which have helped these countries develop the products needed to penetrate world markets.

Considerably more needs to be done at a national level to support trade missions, delegations of local industry officials and more contacts between local firms and foreign buyers. Each year there are fish trade shows at which Newfoundland firms could display new products or familiarize themselves with the products of their competitors. **A yearly award should be established for the firm which develops an item for a new high-value, specialty product market.**

A good recent example of what can be accomplished is the rapid expansion of markets for roe caplin in Japan. Less than 10 years ago this fishery was worth about $500,000 to fishermen and had an export value in the same year (1977) of about $2.5 million. In 1985, it generated over $8 million for fishermen and had a total export value of around $31 million. In this present year, given the collapse of caplin stocks in Norway (Newfoundland's chief competitor) the roe caplin fishery will likely put more than $40 million into the inshore sector.

Through their participation in this fishery, local processing firms have gained new confidence and a significant amount of marketing expertise. As a result of buoyant conditions in this market, firms are setting their sights on possibilities for penetrating new markets for caplin, such as China and Southeast Asia. Experimental shipments of raw material have been sent to a large collective cannery in Canton, and local operators have visited this facility on several occasions. Others have been working in co-operation with a large Hong Kong brokerage firm to seek appropriate means whereby caplin, and other products from inshore plants, could supply this large, as yet untapped, market.

The caplin fishery is an excellent example of the kind of fisheries development initiative which could, over the long run, help transform the inshore industry. The success which local firms have achieved within the Japanese market has given them new confidence and expanded their general market horizons. Through their involvement with Japanese buyers, local firms have been sensitized to the exacting demands of the Japanese consumer and, having gained a significant niche in this substantial market, have begun to consider joint (Newfoundland-Japanese) product development initiatives, thus becoming aware of the vast potential for supplying other types of fish products into this large market. Local firms have not as yet been supplying extracted caplin roe to Japan. However, in 1986, Norway and Iceland supplied about 6,000 tonnes of this product which, at $2,465 per tonne, brought them a total of about $14 million.

In addition, the particular requirements of the present caplin industry and market (which requires only the female fish) have generated a related demand, along with new possibilities for utilizing the by-products of this fishery; discarded male caplin are fast becoming an important raw material for local meal plants. Caplin meal is also regarded as something of a specialty item within the fish meal sector: its protein and fat content make it an ideal product for the manufacture of aquaculture feedstocks. And so, in 1986, we find a large national fishing company seeking to set up a small fish feed pelleting plant to serve the province's growing fish farming industry. Both Iceland and Norway have already moved in this direction. Iceland's 20,000 tonne per year salmon farming industry will use 10 per cent of the caplin landings (of just under one million tonnes in 1985); until quite recently in Norway, 90 per cent of the year's caplin catch (1.5 million tonnes in 1983) went to fish meal and oil production. In addition to salmon rearing, both countries use their domestic supply of fish meal to support an expanding fur-growing (mink and other furs) industry. In Iceland, this sector is rapidly outgrowing its traditional offal-based feed supply; in 1985, the number of fur farms expanded from 140 to 250.

This is the kind of interrelated development, the type of cross-fertilization, which can be created if we approach the development of our inshore industry in a rational, planned manner. There is a vast economic potential to be extracted from fishery resources which we have regarded in the past as worthless. Furthermore, many of these underutilized resources, like caplin, are ideally suited to exploitation and processing by small independent fishing units. There is a great waste of resources in the environmentally unsound practice of dumping unused species of fish in Newfoundland waters each year – a veritable rape of the sea. This practice should be prevented by regulation, and fishermen and plant operators enticed into making productive use of all species.

A substantial investment will be required to open new segments and markets. Also needed are increased co-operation and co-ordination among local processors and government. Co-ordination is necessary to reduce the likelihood of oversupplying particular markets, and to ensure the best possible returns from investments in marketing. It is also necessary to ensure that valuable opportunities for future development are not lost. A case in point is the opportunity lost in February 1986 for a sale of local fish products that would have been worth an estimated $50 million over five years. In this instance, buyers from the Ivory Coast of West Africa sought to arrange the purchase of 12,000 tonnes per year of a range of local fish products. The fish would have been shipped from here about four times per year, according to season and species. What was needed was the formation of a local consortium which would have operated as a single export group organizing the assembly and shipment of the products; no such group was organized and the deal fell through.

We cite this example because it highlights a variety of interrelated issues pertinent to the development of the inshore fishery in the future. First, there is a range of world markets that we are failing to develop: Ivory Coast buyers have already arranged shipments, with the United Maritime Fishermen, of smoked herring and salted gaspereau on a test basis. These buyers sell into a potential market of over 100 million people on the Ivory Coast itself, Senegal, Mali, Niger, Benin, Togo, Nigeria, Ghana, Guinea and Cameroon. Second, the products they were looking for are precisely the kind of fish products which the inshore fishery can easily and effectively provide: salt cod, mackerel, herring, caplin, ocean perch heads and small flounder. Third, the arrangements that they wished to make for **seasonal** shipments are precisely the style of marketing that is appropriate to our seasonal inshore plants. This is the kind of deal that is better suited to the inshore than the offshore. We need to be able to take advantage of such opportunities, and not be defeated by a lack of infrastructure, entrepreneurial co-operation or imagination.

At present, over 100 processors and several government departments and agencies are involved in the marketing of Newfoundland fish products. Government involvement includes the provincial Department of Fisheries, DFO, the Fishing Industry Advisory Board, the Canadian Saltfish Corporation and the Departments of Development and Regional Industrial Expansion. Despite this, there is no mechanism to ensure co-ordination and there is no single agency with the mandate to provide market intelligence and the financial assistance necessary for new marketing investments. Improved marketing and sales assistance would help tune processors in to market needs and opportunities and also allow them to provide a quick response to potential market changes. In this respect, it was bad business practice when the federal government recently terminated a successful national advertising campaign to promote consumption of fish. The cam-

Table 5.4
Aquacultural Production

1983

	Total Production (Metric Tonnes)	Value ($ Million)
Maritimes	1,529[1]	3.2
Eastern Canada[2]	2,024	5.67
Newfoundland	210	0.46
All Canada	5,337	12.1

[1] 1,172 metric tonnes of shellfish (oysters and mussels) and the rest comprised of tuna, trout and Atlantic salmon.

[2] Quebec, Maritimes and Newfoundland

Source: Department of Fisheries and Oceans (1985), "Private Sector Aquaculture Production and Value in Canada: an Overview".

paign should be reactivated. Government should also be helping to smooth out marketing difficulties by purchasing greater quantities of fish for use in Canada's foreign aid programmes.

(iv) Aquaculture.

Aquaculture moves the fishery out of the costly and uncertain 'hunting and gathering' stage of development into that of residential cultivation of a food source. Salmon enhancement projects, such as that for the Exploits River and the one proposed for Labrador, are a promising half-way step between these two development stages. Full-fledged aquaculture is harvesting of another kind, and it has achieved enormous success in recent years in places not unlike Newfoundland, such as Iceland, the Faroe Islands, Norway and Scotland. New Brunswick local fishermen are developing it as another 'string to their bow', and in Newfoundland, Regional Development Associations (RDAs), with some provincial government assistance, are distributing the necessary information about the operation and management of fish farms.

World-wide production from aquaculture has increased dramatically from 2.6 million tonnes in 1970 to present levels of around 10 million tonnes. Current production of farmed fish products is estimated to be equivalent to about 12 per cent of world-wide fisheries output. Since 1975, Norway and the United States have achieved growth rates in this sector of 1,000 per cent and 340 per cent respectively. Total 1984 production of farmed finfish by Norway, the United States, Japan, France and Canada was roughly 427,000 tonnes, of which about 30 per cent (125,000 tonnes) occurred in North America. As Table 5.4 shows, aquaculture is still small in Canada and miniscule in Newfoundland.

This Commission thinks that much more emphasis needs to be put on aquaculture than it currently receives, for a variety of reasons. First, it is a marine activity which is best undertaken in small rural communities where water quality is high, land costs low, and access to coastal areas unrestricted and uncrowded. Moreover, this industry is suited to the life-style and working patterns of port people and the physical environmental conditions in which most fishermen already work. In Norway, the government has deliberately limited the size of aquaculture operations to encourage the small-scale fishery sector in such enterprises: more than half of the existing 450 commercial farms are operated by former commercial fishermen. Most significantly, in the Newfoundland context, aquaculture could be a year-round occupation.[5]

There are, however, two essential requirements: experience and capital investment. It should be noted that aquaculture is more capital intensive than most people believe. There are clear technological, quality control and monitoring needs. Participants have to be trained and very professional. There are still high risks attached (such as disease) and experience and good management, therefore, are crucial. Nonetheless, in Norway fish farming is the second most profitable industry after oil and gas. It offers an extremely high rate of return on capital investment, and output per employee is among the highest in all sectors. The future economic potential is considered enormous. Last year, Norway produced 30,000 tonnes of farmed salmon. This level has not reduced demand, but rather increased it, since supplies of both natural and farmed salmon represent only a small proportion of total market demand for the product. It is worth noting that this is a gourmet item: fresh farmed salmon are selling in Boston for $6.50 Cdn. per pound. In Scotland, the Highlands and Islands Development Board is considering phasing itself out of grants to fish farming since the industry is virtually assured of financing by normal channels (banks). Major corporations (Unilever, Booker/McConnell) are now turning to aquaculture as a major source of profits.

Canadian researchers are well aware of the natural environmental constraints facing aquaculture but are by no means pessimistic, and believe that these can be overcome with the appropriate measures and technologies. The most critical factor is water temperature (below -7 degrees Celsius, the fish cannot survive). Technologies can be devised to overcome these problems – but these must be developed in Canada since our natural conditions are different from other areas. In winter, cages can be dropped to 40 foot depth, where the water is warmer, or water from this depth can be pumped up. One approach is to use water from sea wells (geological formations onshore) to obtain 8 degrees Celsius water which produces a rapid increase in growth rates. In Quebec, experiments have involved putting the fish in fresh water over the winter.

Importantly, the industry has a large potential to create new spin-off economic activity in the rural economy. Significant numbers of support services are required for aquaculture: local feed supply, equipment sales and servicing, transport, secondary processing and the development of fish hatcheries and smolt farms. Indeed, a major and significant limitation on salmon farming is the supply of smolt. In order to control the spread of disease, the smolt are not normally transported across provincial boundaries. However, the development of hatcheries and smolt production require significant initial investment and a long lead time, so much so that the demand for smolt is likely to exceed supply for the next 10 years. Therefore, our Bay d'Espoir facility is a key one, but we may eventually need four or five such facilities in order to launch a full-scale aquaculture industry. Salmon production can also be scheduled year-round and provide additional raw material supplies for small inshore processing plants.

The Commission thinks it may be appropriate to consider a number of small farms getting together to form a joint marketing agency, sharing facilities, promotion costs and transport systems. Analysis of the Norwegian industry indicates that the most efficient size of salmon farm is likely to be around 50 to 100 tonnes' production per year. In such an operation, 75 tonnes per year at the lower end of the price scale ($5.75 per pound) generates gross revenues of about $950,000. Half of the cost for a farm of this size is feed stock and it would employ about four people.

Finally, it is vital to remember that this is an industry in which the technology is changing rapidly. Therefore, its development must be approached in a carefully thought out, professional, informed manner. The industry also needs a significant research and development (R and D) support infrastructure. The research community, such as DFO and the Institute of Fisheries and Marine Technology, must become an integral part of any aquaculture development initiative in this province: we cannot rely on other nations' research to solve our particular problems. Research based on local conditions is vital to success. We are already developing an aquaculture training programme at the Marine Institute, which is important since banks do not want to take risks with inexperienced people. Clearly, aquaculture needs initial government support and investment to get it started, especially in R and D hatcheries.

(v) Fisheries-Related Manufacturing, Upgrading of Skills, Education.

The major focus of the Newfoundland fishery has been on the catching and primary processing of fish. Very few backward linkages have been captured and the local fishing industry is almost totally dependent upon American, European and Far Eastern manufacturers for fishing and marine hardware. The only goods of this type produced in Newfoundland are a few select items used in the inshore harvesting sector. Most of these products require low technological inputs and generate limited spin-off effects. Fisheries technology development in Newfoundland has largely been limited to the government-subsidized importation of foreign technology for adaptation to local fishery needs. Because of this, Newfoundland's fishing industry has not had sufficient access to technology which is specifically designed for local operating conditions.

The development of a fisheries-related manufacturing sector in Newfoundland requires that a policy framework be established, with appropriate complementary funding and assistance programmes. Applied industrial research carried out, where possible, in local research institutes, is a basic requirement. The new Institute of Fisheries and Marine Technology is already involving itself in applied technology but, to be effective, its mandate must be integrated with a comprehensive provincial policy for fisheries and marine development. Other agencies, such as the Institute for Marine Dynamics, Memorial University, and private firms such as Newfoundland Oceans Research and Development Corporation (NORDCO) – which has already done research in this area – must be considered in such a provincial policy. Increased support for basic fisheries-related R and D is also needed if a strong fisheries manufacturing sector is to be developed. Import substitution may be a costly investment for government when funds are urgently required in other areas. Nevertheless, a problem-solving R and D effort focusing on the particular technological needs of the Newfoundland fishery could have a tremendous impact on the economy. Moreover, the local development of new fisheries technology must be promoted through effective commercial assistance programmes. New approaches must be adopted for encouraging the purchase of local goods and services, possibly through the use of import duties and special tax arrangements. The FPI group of fish plants and its offshore trawler fleet represent an important purchasing power for giving preference to the use of local products. The buying power of this company alone could become an important instrument within a comprehensive fisheries policy for enhancing local manufacturing capabilities. Nonetheless, we recognize that feasibility studies are required here to identify where domestic manufacturing would be beneficial and where it would merely add a cost burden to the industry. There are some areas where Newfoundland cannot hope to gain a comparative advantage, but there may well be market niches where local conditions promote domestic innovation and production, and where local subsidies may be required to support new developments in their formative stages.

The potential backward linkages of the Newfoundland fishery will remain a major untried development opportunity unless appropriate public policies are devised. Newfoundland has never really supported a locally developed fisheries-related manufacturing sector, yet Iceland and Norway, for example, have always nurtured an integrated approach to the development of their fishing industries. The result is that while many other countries in the world today have become leading producers of fishing hardware, Newfoundland continues to import practically all of the equipment used in the local fishery. If Newfoundland could identify key areas where new advances can be made, this would not only create significant local benefits but also open up exciting new export opportunities. It will be particularly important to identify 'high tech' leading edges in such things as electronic fishing gear devices, rather than misplace effort by putting it into old industries such as net making, which use mature technologies.

Past Problems and Future Strategies.

The fishing industry in Newfoundland today, given restructuring, is one in which most major investment is directed towards the offshore – the 'industrial' fishery – with its giant corporate structure. This is a direct result of the deliberations of the Kirby Task Force. The Task Force based its conclusions on studies which indicated that, in terms of industrial efficiency as measured through cost efficiency analysis in the processing and harvesting sectors, the offshore fishery was the best direction to take. A major study by Schrank, Roy and Tsoa,[6] in conjunction with supplementary studies by the same research team[7], demonstrated that it costs Canada one dollar for every dollar of fish landed if all 'subsidies' (including transfers) are included in the calculation, and that costs remain high even if transfers are excluded. This research team then asked what would happen if direct support to the fishery were withdrawn, under ideal conditions. In a complex econometric model based on 1981 Newfoundland conditions, they calculated that the industry would be 'viable' (defined as break-even returns to business and poverty incomes for the workers) only if almost the entire catch was transferred to the offshore (a small portion might go to the inshore, using intermediate size vessels), if more offshore vessels were built, and if the number of fishermen were reduced by half (to 6,000) to cover the resulting costs. The end result would be a break-even industry with $12,000 per year poverty incomes for workers and no profits.

The nearest complementary study for the inshore is the 1980 study by the same team of researchers.[8] It concluded, using 1978 data for the small-boat fishery and concentrating on catch/effort for the groundfishery only, that economic rent was negative across the whole small-boat groundfishery, to about the same extent in all vessel sizes. A subsequent DFO update identified relative improvement thereafter in the large trawler class and large longliners, giving them an apparent comparative advantage over small boats, while medium-size side trawlers deteriorated badly. Finally, the Munro study,[9] with its wider analytical horizon which went beyond harvesting to processing, concluded that the inshore product, softer and smaller as it is, has significantly higher processing costs. In sum, if industrial efficiency, as defined by these studies, is the criterion for the survival of an industry, then the restructuring programme, under current operating conditions, makes economic sense. It would seem to follow, moreover, from the perspective solely of efficiency and international competitiveness, that the offshore sector shows most promise.

However, there is more to be considered than merely efficiency at the level of the fishing firm. We have several preliminary points to make. In the first instance, we wish to distinguish between the criteria used to measure efficiency at the level of the single industry and those used to measure economic health at the provincial (or regional, or national) level. Firm productivity looks at some measure of inputs versus outputs, but a total provincial economy does not operate within the same relatively constrained conditions. For example, when a firm cuts back on the number of people it employs, the state eases the resulting burden of unemployment through some kind of support payment to the redundant labour force. The firm, of course, does not have to take account of this cost, but the state must. Should Canadian political ideology ever change to the point where the state would also divest itself of that responsibility to some undetermined degree, then the burden of such changes at the firm level would be shifted to the individual and the household.

The dilemma that we face in the fishery under conditions of severe structural unemployment is often seen as one in which the economic and the social interests of society have to be traded off against one another in some way. This is precisely the dilemma that the Kirby Task Force identified in looking at the east coast fisheries. We feel, however, that this is an overly narrow perception of the issues at hand. A provincial or national economy should calculate beyond the narrow economic logic used in restructuring. The Kirby Report fails to recognize this when it identifies the inshore fishery as 'social'. It does not allow for the possibility that the inshore may be economic, or could become so, at the level of the total provincial economy.

It is important, moreover, to note that in an inshore fishery revitalized along the lines we have suggested, income from the labour intensive inshore would once more flow into the outports, providing a significant long-term potential for generating local multipliers. When these are taken into the calculation (which they cannot be in the firm level model), the inshore looks much more promising. Moreover, the assessments of the inshore sector made in the major studies cited above, are based only on the groundfishery and do not take into account other income sources for pluralist households. In the context of the kind of household economy we have modelled in Chapter 4, and recognizing the potential for a multiple-species inshore fisheries sector, we find this a serious limitation on the interpretation of the results of these studies. Furthermore, income has often to be calculated in household (rather than individual) units in the outport economy if it is to be meaningful and, to date, most studies have not done that. Quite simply, the right kind of research has not yet been done for the inshore fishery. We also note that many inshore harvesting enterprises and seasonal fish plants are economically viable, even at the firm level. The challenge is to make this the rule rather than the exception, not to abandon the inshore fisheries and create a massive welfare problem. **We have shown here that it is not as obvious as is often thought that the inshore fishery is demonstrably uneconomic, and if welfare costs to the state are also considered, then it becomes very clear that the inshore fishery should not be abandoned or left to languish.** That is why this Commission has taken a closer look at the inshore fishery to see what might be done to realize the potential strengths of this neglected part of the fishing industry.

If all of what we suggest, or any significant part of it, is to succeed, then fishermen will need to rethink their traditional positions. We are proposing the development of an inshore sector in which the fisherman of the past would become the entrepreneur of the future, operating a business venture of considerable complexity which will require a wide range of skills. This means that fishermen and processors must become much better educated and must have access to the technological tools of the future.[10] That in turn means that further training and 'retooling' must be available to the fisher-entrepreneur as the inshore sector goes through a transition from a technologically backward sector to a dynamic, vibrant, small business sector in the years to come. The microchip age can reduce outport isolation to a thing of the past: many of the handicaps of past isolation are no longer necessary adjuncts to prosecuting the inshore fishery. With computerization, satellite communications and the like, there is no good reason why the inshore fishery cannot be linked into a network of market and other information that will allow the fish-farmer or fish entrepreneur to be right up-to-date. What are needed are the appropriate education packages that must go with such a restructuring of the inshore.

Conclusions and Recommendations.

There is a fundamental need in Canada for a 'made-for-Newfoundland' regional fisheries policy. Such a policy must strike a balance between the national interest for sound resource management and the equal concern for the development interests of Newfoundland, of which fishing communities are a vital part. Atlantic Canada as a whole contains too many diverse fishing organizations and interests for a single set of policies to serve everybody's interests adequately. The interests of fishermen and fishing communities, in particular, should be taken into account in formulating and implementing fisheries policies which are sensitive to local and regional needs. Such policies can be reconciled with the equally important need for proper protection of the resource.

Since the mid-1970s, Canada has been developing a national fisheries policy, including a fisheries policy for the Atlantic region as a whole, which has been applied to Newfoundland. National fisheries policies have not yet been successful in revitalizing the inshore fishery and, in some ways, have been detrimental to the inshore sector, which needs a policy of its own geared directly to the development needs of Newfoundland and its outports. We need to develop a small-scale innovative mentality here, which will be relatively small in cost as well. A major problem today is that there is no single body within Newfoundland, or elsewhere in Canada, charged with the responsibility of designing and implementing a fisheries policy for Newfoundland. This is in contrast to the offshore oil industry which is now regulated by the Canada-Newfoundland Petroleum Board. The need for a policy which will be compatible with sound resource management for Atlantic Canada as a whole is a basic requirement for appropriate fisheries development in this province.

The Commission feels that a new agency composed of a small group of senior people should be created which would be charged with devising policies for the Newfoundland fishery. Such an agency would provide an overall sense of purpose and direction to fisheries development in the province that would be both consistent with national priorities and sensitive to local needs. These policy guidelines would be followed by the regional branch of DFO and the provincial Department of Fisheries.

Recommendation

A Canada-Newfoundland Fisheries Policy Board, with strong directive powers, should be established to devise and implement fisheries policies for Newfoundland consistent with national resource management objectives.

To simplify the Board's liaison with DFO, control by the Newfoundland Branch of DFO over the fisheries off the west coast of Newfoundland should be reinstated.

Recommendations

The Newfoundland Branch of the Department of Fisheries and Oceans should be the agency responsible for administering federal fisheries policies in all regions of Newfoundland and Labrador.

Because of its paramount importance to the inshore fishery of Newfoundland, the federal Department of Fisheries and Oceans, in co-operation with the provincial Department of Fisheries, the Fishermen's Union and the Fisheries Association of Newfoundland and Labrador, should undertake a comprehensive investigation of the reasons for the decline of the inshore cod stocks, with a view to taking whatever mitigatory measures are necessary to ensure the regeneration of those stocks.

This Commission is not recommending that governments be expected to prop up the fishing industry in perpetuity, with employment and income levels permanently and artificially bolstered by generous federal largesse. It would be more advantageous to have people employed productively on a seasonal basis with some measure of income support during the off-season until such time as the inshore fishery becomes self-reliant. This will contribute to the creation of new wealth for the nation, to community well-being and to a sense of personal worth.

In the long term, if fisheries revitalization and other development initiatives prove successful, there may be a gradual attrition of inshore fishermen and plant workers. Low income fishermen and plant workers will likely leave the occupation of their own accord when better economic opportunities open up for them. Fewer young people might want to become fishermen if there were other promising career prospects in farming, small-scale resource-related manufacturing, offshore oil and public and private services. If there are too many fishermen, they should be enticed to leave the fishery through the introduction of better alternative economic opportunities, not pushed out of the industry through inappropriate regulations and poorly directed government support.

Fish should be managed not only from the point of view of sound resource development, but also from the point of view of sound economic and social development of fishermen, outport communities and Newfoundland as a whole. The implementation of a single Board and of the following recommendations will result in an improved fishing industry in Newfoundland. Newfoundland outports deserve a chance to develop. A revitalization of the inshore fishing industry must be one cornerstone of regional development in Newfoundland. But it does not need to be the sole support of the outport population in the future – that is an intolerable burden for any industry to carry. Rather, we advocate an inshore sector which is itself multi-faceted and is strongly linked to other sectors of the economy, which also need to be developed, as we will discuss in the following sections of this chapter. This approach is in line with our concept of an integrated strategy for Newfoundland, in which a variety of linked developments can together provide a strong basis for future regional and provincial development.

Recommendations

Governments should assert their faith in the inshore fishery by instituting a new programme for its revitalization and development, a programme that is attuned to the needs of fishermen but is consistent with sound economics and resource management. Such a programme should concentrate on innovative small-scale development, multiple-species exploitation, aquaculture and greater industrial linkages.

In order to relieve the immediate debt burden of nearshore (longliner) fishermen, a refinancing plan should be devised by government, one component of which might be the conversion of government's investment from debt to equity.

To succeed as an inshore fisherman, a person needs the flexibility to catch different species in different seasons and in different years. The present licensing system should be changed to reinstate this flexibility. Eligibility for licences based upon an earlier year's catch would be replaced by a system of earned eligibility based upon education, experience and career development. Current full-time and part-time fishermen would be reclassified as apprentices and general fishermen, with genuine moonlighters and inactive licence holders declared ineligible for commercial fishing. With the possible exception of an adjustment phase-in period for lobster, fishermen holding general licences would enjoy equal rights to exploit all available species, using boats under 35 feet in length; licences for larger vessels would be earned. Stock management would be through seasonal restrictions and area quotas for small-boat fishermen, with enterprise allocations, gear restrictions and fleet limitations for nearshore and midshore fishermen invoked as necessary.

Recommendation

The present full-time/part-time and limited entry licensing systems should be replaced by a general licensing system for Newfoundland fishermen which ranges across a variety of species.

With new faith in their industry, and the right to be flexible in their prosecution of it, small-boat inshore fishermen should be able to maximize their fishing incomes each year. Average incomes would, however, still be too low, at least in the short- to medium-term. They would need an income support and supplementation scheme. Rather than have this disguised as UI, topped up as needed by special make-work projects, a new support and supplementation scheme should be instituted (See Chapter 12 of this Final Report and a tentative model for such a scheme included in the background report on the fisheries).

Recommendation

The unemployment insurance scheme for self-employed fishermen should be replaced by an income security/supplementation programme.

Most of Newfoundland's inshore fishermen have received little or no formal training in harvesting techniques, quality control measures, or principles for operating a small business. The international fishing industry today is highly sophisticated; successful fishermen in other countries are literate, educated, well-informed people knowledgeable about market trends, technological changes and advances in quality control. To succeed in long-term development and to be recognized as professionals, Newfoundland fishermen must become better educated, both in terms of general literacy and in the up-to-date plying of their trade.

Recommendation

A committee should be struck – including representatives from the federal and provincial Departments of Fisheries, the Fishermen's Union and the Institute of Fisheries and Marine Technology – to devise and implement a comprehensive programme of education for fisheries development in Newfoundland.

Basic educational requirements and standards for fishermen (and also fish plant workers) should be the first concern, but the aim in the longer term should be to integrate professional training and career development for fishermen. Small-boat fishermen should be trained and tested before being granted a nearshore fisherman's certificate, and nearshore fishermen in turn would have to complete the appropriate training before being certified as midshore fishermen. By tying entry to qualifications, the long-term success rate of inshore fishermen would improve markedly.

Recommendation

A system of training and certification should be implemented, requiring specific qualifications and standards for the following categories of Newfoundland fishermen: apprentices, small-boat fishermen, nearshore fishermen, midshore fishermen and trawlermen.

In the fish-processing sector, fisheries policies need to strike the right balance between sound resource management and community development needs. Such an approach would recognize the need for flexibility in issuing licences for new technology or expanded capacity in a revitalized fishery.

Recommendations

The provincial Department of Fisheries, in co-operation with the Department of Rural, Agricultural and Northern Development and the federal Department of Fisheries and Oceans, should institute a region-by-region, plant-by-plant approach to improving the economic performance of Newfoundland's independent fish-processing sector.

The implementation of a system of Fish Product Freezer (storage) Units should be thoroughly researched and, when proven viable, established in appropriate locations across the province.

Government should expand its role as a **facilitator** in the growth of the processing sector, but should withdraw from being a direct owner and operator of fish plants. Depending upon local and regional conditions, government-owned plants should be sold to independent operators or community-owned companies. The sale of the plant should not have a negative impact on neighbouring plants; if subsidies have been paid, the government should not refrain from paying subsidies to new operators on a declining basis. In this way, local initiative would be encouraged.

Recommendation

The provincial government should divest itself of the direct ownership of fish-processing plants, and should turn over the operation of its plants to independently owned or community-owned companies.

More generally, government should give more credence to co-operatives and other types of community-based fish-processing companies. These should not be viewed as last resorts to be tried only when all else fails, but as viable adjuncts to individual private enterprise. They should be seen as **businesses**, owned by fishermen, plant workers and/or community members themselves. Such enterprises are locally owned and can entail a high degree of commitment by local people to their success. Such enterprises have worked elsewhere, and the Fogo Island example shows that co-operatives can contribute to regional development, stability and employment in Newfoundland.[11]

Recommendation

The government should be equally supportive of community-based fish-processing companies as of privately owned fish-processing companies. Local initiative should be encouraged.

Having removed itself from direct involvement in owning and operating fish plants, the government could focus its attention more on providing the kind of support and back-up services that the companies need to become successful.

Recommendation

The government should commission a comprehensive study of the independent processing sector of the Newfoundland fisheries. This study should be sensitive to community, regional and provincial needs and should focus upon, but not be limited to, the following: resource needs, capital structure, plant and equipment, management, marketing, labour relations, training and the role of an income security system.

The government should act immediately in one crucial area, education and training.

> **_Recommendation_**
> *Through Memorial University and the Institute of Fisheries and Marine Technology, the government should institute a strong programme for business, marketing, managing, financing and technological training for fish plant owners, managers and workers.*

The recommendations outlined above have addressed solutions to current problems in the harvesting and processing sectors of the Newfoundland fishing industry. The following recommendations suggest ways for developing the fishery in new directions: secondary fish processing, new forms of marketing, aquaculture and fisheries-related manufacturing.

> **_Recommendations_**
> *Government should co-ordinate and facilitate the development of secondary processing through new product innovation and market development, using the combined forces of the Institute of Fisheries and Marine Technology and local fish processors.*
>
> *The fish marketing efforts of the Department of Fisheries, the Department of Development and Tourism and the Fishing Industry Advisory Board should be consolidated into a single agency charged with co-ordinating all aspects of fish marketing and providing up-to-date information to independent processors about international market niches for all species; and these efforts should be co-ordinated with the marketing activities of the federal Department of Fisheries and Oceans.*
>
> *The provincial government should immediately establish a task force to investigate the best way in which aquaculture can be developed in Newfoundland so as to serve provincial, regional and community needs.*
>
> *Government should give high priority, in the form of local preference policies, increased research and development funding and new incentives to encourage the purchase of local goods, with a view to establishing a strong fisheries-related manufacturing sector within the province.*
>
> *Government and the Institute of Fisheries and Marine Technology should set up a fisheries innovation centre geared to assisting local fishermen and plant operators in the development of local innovative ideas.*

Other Established Industries

This part of the chapter deals in turn with each of the other main established goods-producing industries in the province: forestry, mining, energy, secondary manufacturing and construction.[12] These industries have been important contributors to the provincial economy and have provided employment to thousands of Newfoundlanders. We have called the five resource industries 'established', because the larger (industrial) components of each of them – which contribute most in terms of employment and economic output – have matured. Over the last decade or so, changing international economic conditions have forced them to 'rationalize' their operations. This has had a significant impact on employment and employment potential in these established industries.

Forestry.

Approximately 60 per cent of the total forested area on the Island is considered 'productive' by the provincial Department of Forest Resources and Lands. Softwoods (balsam fir and black spruce) comprise over 80 per cent of this total, with birch being the major hardwood. In Labrador, a smaller percentage of the total forested area is commercially productive with the greatest concentration of timber being in the Goose Bay region.

This province possesses a vast forest resource. However, apart from the industrial operations at Corner Brook, Stephenville and Grand Falls, this resource has been used in a piecemeal fashion, and job opportunities and output have not been maximized. Less than half of the province's demand for lumber is satisfied locally, while some of the best timber is used for paper production. Stands of hardwoods, such as birch, are used only for firewood; many trees fall and rot when they are left behind after logging operations. The province does not have a fully integrated forestry industry and such is needed if we are to encourage growth in those segments of the industry which have the potential to be employment generators.

Forestry is a major contributor to the provincial economy. In 1985 it accounted for just under four per cent of GDP and over 30 per cent of value-added in manufacturing (See Figure 5.2). Only mining and fishing were ahead of forestry in value of production. In employment terms, forestry accounts for over 9 per cent of all jobs in the goods-producing sector (See Figure 5.1). As with fishing, but unlike mining, the forestry industry employs people in most regions of the province: one municipality in four has at least 10 per cent of its work-force involved in forestry and related work.

Table 5.5 shows timber production between 1978 and 1984. The effects of the recession can be seen in the rapid drop in newsprint production between 1980 and 1983, while domestic production shows steady growth, due probably to the increase in the use of wood-burning stoves. Table 5.6 illustrates how overall employment levels have dropped in both the harvesting and processing components of the industry.

The forest resources support four major types of industry concentrated primarily on the Island: pulp and paper, saw milling, fuel wood and woodwork. In terms of both employment and contribution to GDP, the most important component in forestry is the pulp and paper industry. There are three mills currently operating in the province – at Stephenville, Grand Falls and Corner Brook. Abitibi Price, which owns the Stephenville and Grand Falls mills, is the single largest producer of newsprint in North America and has a significant influence in setting market prices. Their Stephenville mill is the most efficient of the Abitibi Price network of Canadian mills in terms of manpower per ton of output. This efficiency is largely due to the high level of automation in the mill. The mill's power costs, however, are the highest in the Abitibi Price organization.

In-province production possibilities are limited under current technology by existing wood supplies; the real limits on production, however, may most usefully be seen as occurring at the market end of the industry. The mills' markets present problems for the industry: our mills have to compete in the international market-place against newsprint producers from parts of the world where forest

Table 5.5
Timber Production

Newfoundland, 1978—1984 (Thousand Cubic Metres)

Year	Newsprint	Sawlogs	Domestic	Other	Total
1978	1,856	198	183	49	2,288
1980	2,094	201	400	98	2,795
1981	1,900	192	406	69	2,568
1982	1,690	140	456	49	2,336
1983	1,661	122	677	79	2,540
1984	1,999	182	592	113	2,889

Source: Newfoundland Government Department of Forest Resources and Lands.

Table 5.6
Employment in Forestry

Newfoundland, 1975—1985 (Person-years)

Year	Logging	Secondary	Total
1975	1,900	3,500	5,400
1976	1,800	3,600	5,400
1977	1,900	3,600	5,500
1978	1,900	3,200	5,100
1979	2,100	3,200	5,300
1980	2,100	3,000	5,100
1981	2,200	3,100	5,300
1982	1,900	2,600	4,500
1983	1,800	2,600	4,400
1984	1,800	2,600	4,400
1985	1,400	2,800	4,200

Source: Newfoundland Statistics Agency.

regeneration is faster, and labour costs significantly cheaper, than here. Furthermore, these mills do not normally compete with others owned by the same corporation, such as Abitibi Price's northern Ontario mills, and so the Newfoundland mills sell into markets where prices are currently lower.

The export of pulp, paper and allied products from Newfoundland mills has been erratic over the last decade, as Table 5.7 indicates. As Table 5.8 shows, the volume of newsprint produced by the two Abitibi Price mills has increased since 1982, but output from the Corner Brook plant has declined by almost 10 per cent.

Table 5.7
Pulp and Paper Products, Shipments and Value

Newfoundland, 1971—1985

Year	Exports (Thousand Metric Tonnes)	GDP at Factor Cost ($ Millions)	Per cent of Total GDP
1971	486.3	27.8	2.3
1972	526.9	28.9	2.4
1973	715.1	47.6	3.3
1974	731.2	91.2	5.1
1975	530.1	63.0	3.1
1976	574.6	66.7	2.8
1977	681.3	n/a	n/a
1978	561.4	126.3	4.4
1979	597.1	145.0	4.2
1980	586.5	147.2	4.0
1981	674.1	174.6	4.3
1982	612.1	147.5	3.4
1983	557.3	130.0	2.6
1984	606.6	145.0	2.7
1985	591.3	145.0[1]	2.5[1]

[1] Estimate.

n/a = not available

Source: *Historical Statistics of Newfoundland and Labrador (1985).*

Table 5.8
Newsprint Production

Newfoundland, 1982—1985 (Metric Tonnes)

Pulp and Paper Mill	1982	1983	1984	1985
Stephenville	120,008	143,248	150,498	150,837
Grand Falls	223,570	187,748	233,410	262,824
Corner Brook	290,875	230,298	263,410	262,824
Total	**634,453**	**561,294**	**647,779**	**639,566**

Source: Newfoundland Government Department of Forest Resources and Lands.

As the use of labour-saving technology has increased, employment has fallen from 3,000 workers (representing 2.0 per cent of total employment) in 1975, to 2,700 in 1980 (1.5 per cent) to 2,500 in 1985 (1.4 per cent). The various modernization efforts currently taking place at the Corner Brook and Grand Falls mills are having an impact on output and employment. Over $40 million was spent by Kruger at the Corner Brook plant, most of it coinciding with the downturn in newsprint markets. Abitibi Price continued to modernize during 1985 - most of the activity taking place during scheduled down-time to minimize disruptions in output levels - and this programme will continue into 1987.

While market conditions are expected to remain stable during this year, the ongoing modernization programmes of both companies will keep production below 1985 levels until the end of the decade. At Corner Brook, for example, the shutdown of one paper machine for most of this year will result in a decline of provincial newsprint shipments by about 10 per cent. Yet the industry expects long-term productivity and competitiveness to be improved significantly as a result of these capital investments. The Commission, then, would expect this employment decline to continue over the short- to medium-term if present conditions of operation are maintained. The potential of Labrador as a possible future site for the newsprint industry remains open to question. Cheap hydro-electric power, abundant water and the development of new small-scale technology might combine to make this region an attractive site for future small-scale development, especially if Lake Melville becomes a year-round navigation channel.

Most sawmills in the province are small and old and operate on a seasonal basis. This segment of the forestry industry remains largely a rural and traditional industry, operating on crown land and using local timber to serve domestic markets. It also plays an important role in supplementing the incomes of people engaged in other, also seasonal, occupations such as fishing. While most of the 1,600 smaller mills - often consisting of portable push bench mills with an annual output of less than 250 cubic metres each - have been relatively successful, the few large mills, by contrast, have not fared well. Sawmill production has declined overall in the last few years, largely as a result of old and inefficient machinery, poor quality and grading, stiff competition from imports and increasing difficulty in gaining access to good timber.

Although the dimensions of some imported lumber from the mainland are larger than local mills can produce, Newfoundland products could potentially displace a certain share of imports. However, local production problems will have to be addressed first. Our contention is that sawmilling in Newfoundland suffers from neglect (rather than intractable structural problems, especially at the small-scale level), despite the fact that governments have poured considerable funds into various sawmilling operations in the past. We note that waste materials from sawmilling operations, such as chips and slabs, could be sold to pulp mills, or to heating plants as an alternate energy source for large plants.

As indicated in Table 5.5, the demand for fuel wood is growing rapidly. While there is some direct competition for the resource from other commercial users, the fact that fuel wood can be obtained from logging residue (biomass), dead wood and mill waste means that wood cutters' needs can be accommodated without interfering with other users. Cutting timber for fuel provides supplementary income for the logging industry and for saw millers who supply waste materials from the mill for fuel wood.

Woodworking in Newfoundland is a relatively small component of the Newfoundland forestry industry, but its potential for employment and enterprise generation is considerable. At present, woodworking provides over 500 person-years of employment annually. According to a 1982 study of Newfoundland woodworking carried out for Environment Canada, the products manufactured by the 92 plants around the province are valued at approximately $40 million.[13] Moreover, the industry ranks high in terms of average value-added and income per employee.

One major constraint on the industry is the need to import most of the lumber. About 80 per cent of all the wood used comes from the mainland or the United States. The reason usually given is that, although there is abundant raw material available locally, finding the right kind of wood to suit consumer tastes, or wood of sufficiently high quality, is difficult. The major problems with quality are inconsistent lumber sizes and high moisture content. However, improved lumber grading practices and better sawmilling technology, together with the use of low-cost kiln-drying facilities, would overcome these hurdles. We believe that an increase in the use of domestic wood and in the local manufacturing of wood products is both possible and desirable, and will have a beneficial impact on employment.

Much of the woodworking industry serves the residential construction industry. In recent years, there has been an increase in the number of small-scale enterprises making a variety of products ranging from wooden toys to bedroom furniture. A good example of this is Heritage Wood Works of Eastport, which hand-makes wooden furniture: kitchen, bedroom and dining room suites and ornamental furniture. Using a prime-location sales outlet in the Toronto-Dominion Building in St. John's, the company (a husband and wife team) is rapidly gaining a good reputation for its products and is selling well in the Newfoundland market. This kind of initiative is to be encouraged because the scale of woodworking operations is appropriate for much of rural Newfoundland.

In the last decade or so, the provincial government has come a long way in taking control of forest management and development. As part of a new planning process instituted in 1974, when the first five-year subsidiary agreement was signed, industry was required to submit forest management plans to government. Tax conditions placed on companies were then related to the acceptability of their plans. The first forestry subsidiary agreement (1974 to 1980) with Ottawa provided, among other things, the capital for a number of programmes to assist and promote protection of the resource and the industry. The second agreement (1980 to 1985) focused on increasing silvicultural activity, investing in forest products and gaining access to good timber stands. Under the silvicultural component of the agreement, over $21 million was spent, some of it to train people to work in silviculture and to secure up-to-date silviculture technology in order to maintain the confidence of the pulp and paper industry in Newfoundland. The third forestry agreement, signed in 1985, continues to build on the developmental work of the previous two agreements and helps to ensure that many Newfoundlanders will continue to be employed in woods operations - in silvicultural activities as well as harvesting.

We should also point out that a little-known forestry agreement between Ottawa and the province - called the Forestry Economic Stimulation Program (FESP) - was an important one, because it provided funds to maximize employment and training in certain areas of high unemployment, by conducting a programme of forest improvement projects. FESP was initiated in 1980 and expired in 1983 and a second agreement ran from 1983 to 1985.

Over the duration of the second agreement, 18,000 work weeks of employment were created and 7,000 hectares of forest land treated (improved) at a cost of just over $8 million. While this may seem like an expensive make-work project at first glance, FESP made it possible for people to be trained in forest management methods and in equipment operation, thus providing useful skills which could be used to help secure employment later; it also helped to fund much-needed forestry work. If government funds are to be used to create employment in areas of high unemployment, we would suggest that the basic principles demonstrated by the FESP agreement be employed, rather than the *ad hoc* kinds of programmes often sponsored by job creation schemes.

Recommendations

The amount of silviculture work in the province should be increased, especially pre-commercial thinning and forest reclamation. The target for treatment should be equal to the area cut each year.

The revitalization of the lumber industry should be assisted through a variety of programmes:

- *long-term loans to sawmillers to invest in new, small-scale, efficient sawmill equipment;*
- *introduction of new forest management regulations which would bring birch to roadsides in cutover areas, allow selective cutting of lumber in small-scale sawmills where appropriate, and promote exchanges of pulp logs for good saw logs between sawmills and pulp mills;*
- *expanded wood-chipping, so that sawmill waste can be utilized;*
- *each of the papermills to be made capable of receiving wood chips from the sawmills;*
- *paper company timber limits to be adjusted to allow access by other users without, however, endangering access by the paper companies to the requisite number of commercial stands for their needs;*
- *the use of quality, graded provincial lumber and wood products, including birch lumber products, on public and publicly funded structures;*
- *more research and development on sawmill technology to be carried out at Memorial University.*

The local woodworking industry should be promoted so that it can increase its share of the domestic market through a variety of programmes:

- *reduction of sales tax on certain kinds of wood products;*
- *the use in public buildings of locally made furniture and other wood products;*
- *assistance in the establishment of small-scale kilns;*
- *further study of the economics of a small-scale panel board plant;*
- *assistance in the establishment of an organization or institution to service the needs of this industry for technology transfer, business skills development and marketing.*

The provincial government should undertake a campaign to promote the use of local timber in various manufacturing activities.

Employment should be fostered by encouraging the growth of the fuelwood industry, with the requirement that existing and new public buildings be heated by wood biomass where economical and practical.

Government should continue to investigate the possibility of developing a lumber and pulp industry in the Goose Bay area, with special attention being given to the example of the smaller pulp mills in Europe which have adopted appropriate technologies so as to create small-scale pulping operations.

There should be increased research in the forest industry in areas such as the growth of forests, pest and disease control, and technology and product development.

The provincial government should consider submitting another Forestry Economic Stimulation Programme proposal to Ottawa, given the high unemployment rates in areas like Bay d'Espoir and the Northern Peninsula, so that forestry-related employment could be generated with maximum value to the forestry industry.

Mining.

The most severely affected export industry in the recent recession has been mining. Production has been cut drastically and thousands of employees laid off. As production levels recover, however, mining employment continues to decrease: those mines which have not closed because of resource depletion or poor markets, have shifted to new technology and operating techniques to reduce labour costs. As a result, the mining industry in Newfoundland is not promising in terms of significant employment potential, despite the fact that the geological structure of the province suggests that considerable mineral potential exists here. The year 1982 witnessed a severe downturn in which mining output declined by nearly 40 per cent. Since then, the industry has undergone a period of rationalization and by 1984 was showing signs of recovery which did not continue into 1985 at the same rate.

The major output in the provincial mining industry comes from the iron ore mines of Labrador City and Wabush with their beneficiation facilities at Labrador City and Pointe Noire respectively. Recent production is mostly in iron ore pellets and concentrate, and together these made up 90 per cent of the total output by value of the mining industry in 1985. Indeed, iron mining has the greatest total value-added of any single industry in the province and major strides in achieving higher product quality and lower production costs have been made during the past several years. The industry hopes these innovations will ensure that iron ore from Labrador remains competitive and that it will continue to be a major contributor to the province's economy. However, there have been significant job losses at both Labrador City and Wabush, particularly over the last couple of years.

Most of the iron ore produced in Labrador is destined for the United States steel industry. Steel markets are notoriously sensitive to world economic conditions and, while the markets for Newfoundland ore are still mostly in the United States, the industry is now developing markets in Japan and pulling out, to some degree, from the European market-place. One stabilizing factor in the industry is that the Iron Ore Company of Canada (IOCC) output is 'captive', that is IOCC,

Table 5.9
Employment and Value of Production in Mining

Newfoundland, 1971—1985

Year	Employment Thousands of Persons	Employment Per cent of Total[1]	Value of Production GDP at Factor Cost ($ Millions)	Value of Production Per cent of Total GDP
1971	5.4	4.0	142.1	11.9
1972	5.1	3.6	99.7	8.2
1973	5.3	3.5	125.2	8.7
1974	6.0	4.0	151.0	8.4
1975	5.9	3.9	212.3	10.5
1976	6.2	3.9	320.3	13.3
1977	6.1	3.8	371.7	13.9
1978	4.7	2.9	248.8	8.8
1979	5.8	3.4	498.5	14.4
1980	5.6	3.1	464.4	12.7
1981	5.6	3.1	491.8	12.1
1982	4.1	2.4	334.2	7.7
1983	3.6	2.1	272.2	5.5
1984	3.7	2.1	350.0	6.4
1985	3.2	1.8	400.0	6.9

[1] Per cent of total provincial employment.

Source: *Historical Statistics of Newfoundland and Labrador (1985).*

which is owned by a conglomerate of United States steel corporations (See Chapter 2), has its production levels set by those conglomerates who then contract to take that output regardless of whatever conditions may be extant later on. In other words, the output has a secure market in the United States. The Wabush operation sells a certain percentage of its output to Canadian steel producers, mostly in the Great Lakes region. This same operation is functioning at 90 per cent capacity and with 400 fewer workers than were employed before the recession. This is a picture we can expect to find duplicated elsewhere in the mining industry in the foreseeable future under existing market conditions and increasingly capital intensive technologies.

Table 5.9 shows quite clearly that employment levels in mining have declined markedly since 1971. While the GDP value of mining output has increased from $142.1 million (at factor cost) in 1971 to $400 million in 1985, mining's contribution to total GDP has been cut almost in half from 11.9 per cent in 1971 to 6.9 per cent in 1985. Other mining operations in the province have likewise contributed to the employment decline shown in Table 5.9. The Buchans mine, the Daniels Harbour mine and the Rambler mine at Baie Verte have already closed. The long-term outlook for asbestos production in the province is extremely uncertain. World demand for asbestos remains low, with markets limited mainly to less developed countries. The asbestos mines at Baie Verte have reduced their labour forces as a result of the combined effects of the quality of the remaining ore bodies and concerns over health. New government investments enabled Baie Verte mines to resume operations in 1985 and production was close to that of the previous year, yet employment prospects are not too encouraging over the longer term. The fluorspar mine at St. Lawrence will resume operations this year under Minworth, using a more capital intensive technology.

It seems likely that the B.P.-Selco gold mine at Cinq Cerf will be developed. Mineral exploration activity in Newfoundland continued to accelerate in 1985, as a result of an increased interest in precious metal exploration. Total new claims staked in the first nine months of the year increased four-fold compared to the same period for 1984. Nearly half of the $10 million in exploration expenditures was related to the Cinq Cerf find on the south-west coast. **If there is any potential in increasing employment in mining in the province it is in new mineral exploration and development.** It is encouraging to see that some local companies are involved in mineral exploration. This initiative should be strongly supported. In general, the world market conditions for base metals are not particularly buoyant, but those for rare earths show considerable future potential. Nonetheless, it must be remembered that the average life expectancy of a non-ferrous mine is in the order of 10 years, and there is a real need for policy-makers to come to grips with the non-renewable nature of these resources in employment terms when mineral development is under consideration as a potential creator of provincial wealth.

In summary, then, mineral development brings with it a number of special problems typical of non-renewable resource industries. Market conditions tend to be very sensitive to world economic cycles and competition constantly forces the introduction or expansion of capital intensive technologies. For example, future strategies in iron ore mining will have to take into account increased competition, from Australians especially in the Japanese market, and from Brazil in the European, Gulf coast and eastern United States markets. All Canadian mines are experiencing such difficulties. Due to the capital intensive nature of the technology employed, and the limited life span of most mines, governments need to be wary of public investment in mining operations in terms of direct employment generation. Consideration should also be given to small-scale local operations along the lines of, for example, the limestone quarries at Aguathuna and vicinity.

While the Commission feels that the mining industry does not look promising in the foreseeable future as a major creator of employment, the need for jobs is so great that all possible opportunities have to be grasped. We also believe that new efforts must be made in the future to ensure that Newfoundland firms develop an expertise in servicing the mining industry, and in fabricating and even manufacturing inputs for it. Planning should begin early in the development of a new mine between the operators, the government and local firms to maximize spin-off benefits for Newfoundland communities.

Recommendations

Increased mineral exploration should be promoted through a variety of measures:

- *the development of a tax credit or similar system for encouraging investment by Newfoundland companies conducting mining exploration and development;*
- *the continued and expanded provision of services to exploration businesses such as surveying, mapping and core-storage.*

Government should research and promote potential business opportunities in servicing the mining industry. Mining companies' plans for developing mines should include provisions for maximizing local benefits to businesses providing mine services.

Government should encourage maximum feasible local processing of mining products.

Energy.
By far the major energy issue in the province (excluding the oil and gas sector, which is dealt with separately below) is the export of cheap electrical power from Churchill Falls. The dimensions of this issue are long-standing and well known throughout Canada, yet the Churchill Falls contract is still in effect, backed by a ruling of the nation's Supreme Court and, up until now, negotiations with the Province of Quebec have failed to resolve the dilemma. The provincial government believes strongly that the federal government has the constitutional authority to intervene here and require that a fairer arrangement be drawn up between the two provinces. As a result of the existing situation, Newfoundland continues to lose millions of dollars a year in potential export revenues, because Churchill Falls power is sold by Quebec to external markets and, equally importantly, the potential for creating additional employment in the province, using revenues from Labrador power, is lost.

This Commission believes that the provincial government should not abandon its attempts to have the Churchill Falls contract renegotiated and to have the right to recall that power for provincial use. Newfoundland should negotiate both the full development of Labrador's energy potential and better terms for the existing Churchill Falls contract with the province of Quebec. Some form of compensation should be an integral part of these negotiations, if the terms of the existing Churchill Falls contract cannot be improved.

The cost of electricity in the province has been a matter of public debate for many years. Long-term price stability and sufficient generating capacity to meet consumer demand are also very important issues. It is projected that by 1992, demand for electricity in Newfoundland will exceed supply. The province must decide soon what it will do to meet this anticipated demand. There are relatively few jobs associated with the production of electricity in the province: electrical production is capital intensive and most jobs are created in related short-term construction.

The transmission of power from Labrador to the Island is currently under consideration as one way of meeting the electricity demands of the next decade. It is thought that the development and supply of power from Labrador would provide long-term price stability, be sufficient to replace expensive oil-generated power from Holyrood and meet the demands of the province into the next century. There are two stumbling blocks associated with these developments: cost and Hydro Quebec.

There are three potential ways of obtaining power from Labrador. Up to 800 megawatts from Churchill Falls may be recalled or purchased, Gull Island can be developed, or Muskrat Falls can be developed. In each case the agreement of Hydro Quebec is required in some respect in order to make the project possible. In the two most viable projects – the 800 megawatt recall and Gull Island –

the agreement of Hydro Quebec is crucial. Any of the three options requires a transmission line costing approximately $1.5 billion. The Gull Island or Muskrat Falls projects would also require power-plant construction costing somewhere in the range of $2 to $3 billion. Despite tremendous potential costs, these projects still compare favourably in the long term with Holyrood thermal-generated power, although initially there would be a rise in electricity rates. Analysis has shown that coal-fired and nuclear-generated power are not as cost effective as Labrador power. The only real solution to this problem is successful negotiation with Hydro Quebec.

A decision on Labrador power will have to be made in the next year if sufficient time is to be given for construction of future facilities. In the meantime, this province's energy requirements continue to expand despite several national energy conservation programmes in the past decade which have significantly reduced consumer energy demands. More conservation measures are still needed. There are benefits from the conservation of energy which are in themselves sufficient justification for increased government efforts here. Conservation can reduce the cost of energy to consumers, improve the viability and competitiveness of local business and industry, and reduce the burden on the public treasury of the costs of operating public facilities.

The importance of energy conservation programmes to provincial employment must not be overstated, but projects which aim at rebuilding or refitting structures to make them energy efficient, create employment in construction and engineering; in other industries, cheaper energy increases the viability of enterprises, thus possibly saving jobs. The Department of Mines and Energy prepared a report recently showing how several thousands of person-years of employment could be created by spending money on energy conservation.[14] Our examination of that report, however, leads us to believe that more detailed study is needed to verify the cost and employment projections contained in the report.

Another major issue for the province is the cost of electricity in remote communities. A current federal-provincial agreement is investigating alternative forms of electrical generation to reduce the dependency on diesel-generated power. Alternative methods of generating electricity include mini-hydro, biomass, wind and solar power. Preliminary findings indicate that some of these alternatives are viable. Emphasis should be placed on continued research, development, testing and implementation of alternative forms of energy generation so as to utilize fully the province's potential in this area.

The Newfoundland and Labrador Hydro Corporation claims that small hydro and other alternative energy projects are not feasible. While we are not convinced by their argument, the private generation of electricity for sale may be a more cost efficient and acceptable solution. In addition, the entrepreneurial activities of individuals, organizations and communities interested in investing in energy-producing projects should be encouraged in order to maximize output in this industry, and to create another source of potential employment in the economy. Restrictions on private generation should be removed or modified. In addition, it may be possible to replace oil burning as a generator of heat and steam with peat or wood burning plants. New technology for plants using these fuels is continually being developed. These modes of energy production would have the added benefit of being more labour intensive than other forms of energy generation. The abundance of some of this province's potential energy resources (in particular, peat), should encourage continued and greatly expanded local research and development.

The study of alternatives to Labrador power, the consideration of a policy on the private generation of power, and the search for alternative forms of electrical generation for remote communities and for the province, are all hampered by the distribution of responsibility for energy matters among several organizations. As a result, there is no strong provincial energy policy in place, which means that alternative energy projects are often overlooked or ignored, potential in this area for economic development remains untapped, and programmes and strategies are not co-ordinated. We suggest that consideration should be given to having all the province's energy issues handled within one government department. While the Hydro Corporation should continue to be operated as a crown corporation, the provincial energy department should have overall responsibility for determining electrical power policy.

Recommendations

Provincial energy policy should be upgraded and developed to contribute more to the economic development of the province. To implement this improved policy, the Energy branch of the Department of Mines and Energy should have greater authority for the planning and evaluation of all energy matters.

The government should continue serious negotiations with Quebec on the full development of Labrador's energy potential, within which the issue of the Churchill Falls contract can be addressed. The major purposes of these negotiations would be to obtain revenues for the province from the export of electricity and to permit an early start to the construction of facilities for transmitting electricity from Labrador to the Island.

An extensive energy conservation programme should be undertaken to help reduce the cost of electricity to consumers, to reduce the growth of provincial demand, to increase the viability of local businesses and industry, to create employment and to decrease the cost of operating public facilities.

The use of peat and wood chips to replace oil should be expanded. Programmes to aid conversion should be continued and expanded. New developments in peat-derived fuel should be investigated and evaluated for local use for the generation of heat and electricity.

The development and implementation of alternative energy sources for remote communities should be continued. Government should encourage private enterprise, community organizations and government agencies to work closely together in developing alternative modes of energy production.

Private small-scale generation of electricity should be promoted and current restrictions should be reviewed, modified or eliminated.

Manufacturing.

For convenience, the manufacturing sector may be broken down into two separate components: primary manufacturing (which is defined as being resource based) and secondary manufacturing (which is non-resource based), although we recognize that the boundary between these two components is often blurred. We believe that the manufacturing of resource products should be seen as integral parts of the resource industries: fish processing should not be separated from the harvesting sector and neither should forest products from woods harvesting, nor prepared foodstuffs from agricultural production. There is a tendency within the provincial government to handle the industrial (manufacturing) side of resource production through a different department than the resource side, and this administrative arrangement invariably leads to a lack of integration within any one complete industry. Our comments on resource (primary) manufacturing, then, are found in earlier sections of this chapter.

Our focus here will be on the secondary manufacturing component. Secondary manufacturing industries account for fewer jobs in Newfoundland than do the resource manufacturing industries (less than 30 per cent of all manufacturing jobs). While the sector produces a fair range of commodities – from heavy industrial equipment to buttons and draperies – their value accounts for only 2.8 per cent of provincial GDP. The major industries are food and beverages (particularly soft drinks and brewing), refining, metal fabrication and a host of small industries turning out specialty items. The variety of production demands both skilled and unskilled workers, and workplaces vary in size from one or two employees to several hundred. The reasons for there being only a limited secondary manufacturing base in this province are discussed in Chapters 2 and 4.

Despite efforts by both orders of government (through, for example, industrial development agreements and the promotion of offshore development opportunities), employment in non-resource manufacturing has succeeded only in remaining stable over the last 10 years, as shown in Table 5.10. The 1985 employment level was only marginally higher than the 1975 level. In relative terms, employment has dropped steadily since 1975 from 3.0 per cent of total employment to 2.6 per cent in 1985. We would expect this part of the economy to decline even further over the long term as labour-saving technology continues to be adopted as a necessary part of individual firms' competitive strategies.

We should point out also that further employment losses in those industries which can benefit substantially from economies of scale must be anticipated. The brewing industry is particularly susceptible in this respect and, especially under free trade conditions, could possibly move to more centralized locations. The refining industries, such as the ERCO plant at Long Harbour, may continue to operate at existing levels of output and employment over at least the medium term. The value of output from the secondary manufacturing sector has also declined in real terms over the past few years, as shown in Table 5.11, and this trend will probably continue.

Perhaps the most popular explanation of why local manufacturing is restricted in size and importance is that the relatively small provincial market, coupled with the large distances involved in reaching mainland markets, do not allow local manufacturers to compete successfully with Ontario and Quebec firms. Large scale mainland manufacturers can benefit from economies of scale and can compete successfully against small, local operators whose plants produce too little to be

Table 5.10
Employment in the Non-resource Manufacturing Industries
Newfoundland, 1975—1985

Year	Employment
1975	4,500
1976	4,000
1977	4,000
1978	4,500
1979	5,000
1980	5,000
1981	5,000
1982	5,000
1983	4,000
1984	4,500
1985	4,500

Note: Data are based on Statistics Canada 71-001 and include employed and self-employed individuals and unpaid family members.

Source: Based on data provided by Newfoundland Statistics Agency using Statistics Canada 71-001.

Table 5.11
Output in the Non-resource Manufacturing Industries
Newfoundland, 1975—1985

Year	Value $ Thousands (1981 $)
1975	162,000
1976	160,000
1977	n/a
1978	139,000
1979	178,000
1980	181,000
1981	156,000
1982	145,000
1983	108,000
1984	105,000
1985	105,000

Note: Value for 1977 not calculated because of unreliability of data in one industry.
n/a = not available.

Source: Newfoundland Statistics Agency.

economically efficient. Attempts to export from the province in order to expand production and improve efficiency are hampered by the long distances involved. Therefore, local manufacturing has generally been restricted to heavy, bulky goods and specialized items. Contributing to this problem of competitiveness with mainland factories are the transportation subsidies on shipping, railways and the Gulf ferry service. While these subsidies help to reduce costs to Newfoundland consumers, they also help mainland firms to compete more effectively in this province.

Yet we should not be too quick to accept this popular explanation completely and, thus, give up possible opportunities in manufacturing just because we have no comparative advantage. There are examples of quite successful Newfoundland firms which do compete with other Canadian producers. One example is the Terra Nova Shoes plant at Harbour Grace which for years has been sending work boots into Ontario in competition not only with Canadian, but also foreign, boot manufacturers. While the work boots produced at Harbour Grace may be specialty items, we are all well aware of the difficulties experienced by central Canadian footwear producers in the face of foreign competition. Yet Terra Nova Shoes survives quite well from a position of so-called comparative disadvantage. This brief reference to Terra Nova Shoes is appropriate here because it brings to mind another constraint on local manufacturers – high levels of taxation. The company told us that a piece of equipment bought for the Harbour Grace plant was installed in Ontario because the town council levied a very high tax on that equipment. According to Terra Nova Shoes, the installation of the machinery would have created about 20 new jobs in Newfoundland which are now lost to another province. While we are not in a position to comment on whether or not the tax imposed was too high, we rue the loss of potential jobs in the plant and suggest that better co-operation between the municipality and the company could have avoided this situation. The Canadian Manufacturers Association also told us that municipal tax rates were so high that they inhibited investment. In checking out this claim, however, we were unable to find any information on municipal tax rates for towns and cities across the province other than by contacting individual town clerks: our staff called 13 different agencies and none could provide municipal taxation lists. By contrast, Nova Scotia and Ontario sent samples of their listings, by municipality, of tax rates. A potential investor from Montreal or Toronto, wishing to locate a small plant somewhere in eastern Canada, might be discouraged from considering Newfoundland because we fail to provide such basic information. We should note that manufacturing investment in Newfoundland is also discouraged by other high input costs – particularly those for energy and transportation.

Over the long term, whatever potential for new opportunities may exist is most likely to be found in small-scale secondary manufacturing for local markets or in specialty products. Unfortunately, small-scale activities are often ignored by government and industrial planners. However, expanding the manufacturing sector to generate new jobs will depend, to a large extent, on the kind of commitment the province can make to small-scale development using appropriate technology, specialized marketing skills, management training and sound business planning. For this to happen, government will have to play the role of facilitator. Important to Newfoundland's manufacturing sector is the shipbuilding yard at Marystown and the several small boat-building yards throughout the province.

These industries are well-suited to Newfoundland and, despite present difficulties, local talents in these industries must not be lost.

The Commission feels it cannot offer exact solutions here, but notes that, in line with the general philosophy of this Report, the local market and small diverse industrial development provide the most promising solution to the province's unemployment problem. Some thoughts on this scale of development are offered in several chapters of this Report, particularly Chapter 11. We wish here, however, to present a methodology for future development rather than a series of specific examples, any one of which would have to be tested against reality. More precisely, we recommend that the School of Business at Memorial University, and the provincial government, should work continually with small manufacturers to investigate potential ideas for secondary manufacturing and to capture such potential as is identified. These groups form a 'community of interest' and they should work together to minimize information lags and maximize the exploitation of new opportunities as they arise. New technologies are increasingly appropriate for small business (as the Europeans' experiences have shown) and business, academia and government all require to keep a watching brief on such developments.

Perhaps a word on technology is appropriate at this stage given the impact technology and technological change have on manufacturing. There are three kinds of basic technical activities: product design and specification, process engineering and industrial engineering. In Newfoundland, most technological change in manufacturing is related to process engineering – the adaptation of external technology to local conditions to achieve maximum efficiency. Although this kind of activity is vital to existing operations, it does little to develop new technology or new techniques for production. It also tends to replace labour with capital, thus further exacerbating the unemployment problem.

To overcome these constraints, the province must broaden the scope of its technological development, and gear manufacturing operations to the kinds of technology which are appropriate to the levels of production and type of labour required. Many Newfoundland manufacturing firms are small, family-operated enterprises which cannot easily develop or improve technology themselves. As larger mainland firms reduce their costs, or improve the quality of their products, small local manufacturers face increasingly tougher competition. Therefore, we suggest government provide support, in all senses of that word, to local firms for appropriate innovation, technical development and technology transfer.

Recommendations

In order to help overcome the difficulties that we face in secondary manufacturing in the province, Memorial University, the College of Trades and Technology, the Institute of Fisheries and Marine Technology, government and business should recognize that they form a community of interest, and should co-ordinate their efforts so as to be able to realize potential opportunities in secondary manufacturing in the following ways:

- *some of the non-resource manufacturing initiatives of the small-scale, appropriate technology type initiated in some European (and developing) countries should be examined for applicability to the Newfoundland context;*

- *engineers at Memorial University and in the colleges should be encouraged to become involved in the development of appropriate technology (machinery, equipment) suited to local manufacturing;*
- *a thorough review should be undertaken of the marketing difficulties and potential of Newfoundland manufactured products.*

The provincial Department of Municipal Affairs should keep readily available, up-to-date information on municipal tax rates in all the province's municipalities.

The Departments of Municipal Affairs, Development and Tourism and Finance should co-operate to undertake a review of provincial and municipal taxes in terms of their effects upon local manufacturing.

Construction.

The construction industry accounts for about 25 per cent of gross provincial expenditures over the last seven years or so (See Table 5.12). This is now much higher than the national average (17 per cent). The difference is that the national average has been declining steadily since 1957 while provincial expenditures have been increasing. While a certain amount of construction activity is vital to the development of a region, an over-dependence on construction tends to reflect regional under-development and a sagging economy.

Large-scale construction activities are invariably publicly funded and often scheduled during times of recession. The generation of public funds requires revenues from goods-producing industrial projects whose operations depend on supporting infrastructure such as transportation links. The interdependence of these types of projects is clear. Emphasis on spending in one category or the other, or the timing of expenditures, will depend on various economic conditions. The level of technology of construction and the cost of construction affect the competitiveness of other industries. This province needs continued capital investment in efficient production facilities and infrastructure. Capital investment now for both new and modernized facilities will help determine the future productivity, competitiveness and economic status of the province.

Productivity and efficiency in the construction industry are important. In large, multi-million dollar projects, small inefficiencies can result in extra costs in the millions of dollars. On smaller projects, extra costs or delays can affect the viability of a new facility. Construction productivity is affected by many factors including the quality of the design and working papers; the type, size, location and scheduling of the project; the contractor's organization; the availability of labour, materials and equipment; the efficiency of the owner's representative in decision making on permits and changes; the motivation and co-operation of project personnel; the advancement of technology and the level of safety involved. Constant improvement in construction practices and engineering technology are required to maximize efficiency and productivity in the construction industry.

Construction work has been an important source of employment in recent years.[15] In 1985, the industry accounted for six per cent of all person-years of work performed in the province and almost 25 per cent of work in the goods-producing sector. The total person-years of work in construction has declined by 23 per cent since 1979, but it still accounts for around 10,000 person-years of employment, as shown in Table 5.13. Although output dropped substantially in

Table 5.12
Gross Provincial Expenditures in Construction

Newfoundland, 1979—1985

Year	Construction Total ($ Millions)	Provincial Total ($ Millions)	Ratio[1] (Per cent)
1979	863	3,781	22.8
1980	850	3,950	21.5
1981	1,034	4,584	22.6
1982	1,165	4,945	23.6
1983	1,467	5,444	26.9
1984	1,615	5,995	26.9
1985	1,606	6,425	25.0

[1] Construction expenditure as a percentage of total provincial expenditure.

Source: Newfoundland Statistics Agency.

Table 5.13
Employment in Construction

Newfoundland, 1979—1985 (Person-years)

Year	Employment
1979	13,000
1980	12,000
1981	11,000
1982	10,000
1983	10,000
1984	11,000
1985	10,000

Source: Newfoundland Statistics Agency.

the earlier part of this decade, it has rebounded strongly and currently shows a net decline of about 4 per cent since 1979. The large decline in employment has not been mirrored by a decline in output, indicating that the industry is becoming more efficient and is making use of new technology to replace labour. Table 5.14 shows that construction is a highly seasonal occupation like many jobs in the goods-producing sector. At its seasonal peak, the industry employs 20 per cent more people than the yearly construction employment average. Despite the large numbers finding employment in construction, there are still many more who claim construction as their occupation but cannot find work: construction, as an occupation, is claimed by about as many people as claim primary or processing occupations.

Construction can usefully be broken down into residential and non-residential construction, with the latter category further sub-divided into building construction (factories, for example), general 'engineering' construction (such as roads, sewers), and major engineering projects (such as Churchill Falls or Bay d'Espoir). We will consider each in turn briefly, in terms of employment.

Residential construction is the building of homes, and the like. In urban areas, this industry employs a market labour force which is subject to the usual market constraints of up- and down-turns in the provincial economy. In rural Newfoundland, however, as we pointed out in Chapter 4, this is supplanted by the workings of the informal household production system and falls within non-market production to a significant degree. For the first three-quarters of 1985, there was a substantial (17.1 per cent) increase in housing starts, yet rural housing starts were extremely low, the effect being that total starts in the province remained unchanged from the same period the year before. It is worth noting here that many government make-work projects in rural Newfoundland (such as the building or refurbishing of churches and community halls) are of a residential construction nature. Employment in the construction industry, broken down by its urban and rural components, is shown in Table 5.15.

Residential construction investment registered a slight increase in 1985, and this is expected to increase marginally through to the end of the decade. Non-residential construction is more complex. Building construction in this province takes place largely in the urban centres, with the notable exception, however, of fish plants and associated wharves, some of which activity has also been supplemented by make-work projects. Other rural exceptions are such buildings as schools and hospitals. Nonetheless, by and large, investment in building construction is an urban phenomenon, employing urban labour forces.

General engineering construction is widely based throughout the province and offers a significant number of employment opportunities. The provincial government estimated that non-residential construction investment in 1985 rose by about five per cent in real terms. This improvement is attributable mainly to increased business investment in the resource and commercial sectors. Public sector spending experienced a slight decline after increasing steadily in recent years. A significant portion of private-sector investment occurred in offshore petroleum exploration. While of benefit to the province, it should be noted that investment from this source has a far smaller impact per dollar of investment than would onshore spending, because of the very high proportion of offshore expenditures devoted to drill rig rentals. Capital spending by government departments and institutions increased in 1985, but a large decrease in spending by crown corpo-

Table 5.14
Employment in Construction, by Month

1985

Month	Employment
January	6,000
February	9,000
March	10,000
April	7,000
May	8,000
June	11,000
July	12,000
August	12,000
September	11,000
October	11,000
November	10,000
December	8,000

Source: Statistics Canada 71-001.

Table 5.15
Employment in Construction

Newfoundland 1971-1981

Year	Urban	Rural	Total
1971	3,045	12,490	15,535
1981	2,840	13,739	16,579

Source: *Census*.

rations – notably Newfoundland and Labrador Hydro, with the completion of the Cat Arm project – resulted in the slight decline in total public-sector investment for the year.

There is little hard information as yet on investment intentions for the coming years. Some projects which began in late 1985 will carry through this year. Site development work related to offshore development will provide additional stimulus, if and when it occurs. The Adams Head and Argentia sites would cost $40 to $60 million each to develop and would be expected to require approximately 500 workers for two years.

In summary, the construction industry as a whole employs many people and is well-dispersed throughout the province. Residential construction reflects, and will continue to reflect, the state of the local urban economy, while in the rural areas it is less sensitive to market forces and nicely in tune with the pluralist outport economy. This should continue if adequate cash income flows to outport residents can be maintained, as we have discussed in detail in Chapter 4. Non-residential building construction also reflects the general economy, and will be affected by it, and by the ability of government to provide additional funding in times of economic downturn.

The same is true of general engineering construction: roads, for example, are always important. According to the Newfoundland and Labrador Road Builders' Association, approximately 60 jobs are created for every $1 million invested in road construction (approximately $16,000 per job). This includes direct and indirect jobs, such as sub-contractors (independent dump truck operators), with most of these jobs being seasonal. Roads should be built primarily to provide necessary infrastructure and efficient transportation, not just for employment creation, but we must not detract from their importance for those who depend on this kind of activity for their livelihood. Special project construction is likely to continue to be a major section of the industry providing seasonal short-term jobs in the future, as it does now.

In general terms, construction is not so much a 'leading edge' of an economy as a following support in an expanding economy, with the exception of some necessary infrastructural works. During the recent recession government has, very perceptively, driven the industry with considerable government investment which has successfully spread wealth through an otherwise fragile economy. This is useful in employment terms: we note again that construction is a dominant job category among UI claimants – suggesting a public perception that, in hard times, government funding may keep the construction industry afloat while other industries are experiencing difficulty, even with government assistance. It is also useful in developmental terms, for if the projects are carefully chosen, they leave the province in a strong position for realizing other opportunities once the economy begins to recover, since the requisite infrastructure will then be in place and ready to go. But government funds to construction in these hard times cannot last forever and, moreover, we expect that here, as in other industries, labour-saving technology will tend to cut back employment opportunities over the long term.

There are, however, initiatives that can be taken to promote employment in (or related to) the construction industry. Preference should be given to locally produced materials: for example, local lumber for building houses under government contracts; brick and slate from Trinity Bay in public buildings and locally creosoted timber for culverts under our highways. Government could also support the rational growth of the construction industry by instituting common standards for all departments in their construction contracts, and by using an arbitration process to settle disputes between government and contractors.

> ***Recommendations***
>
> *To maintain the level of construction activity, public-sector investment should counterbalance periods of low construction spending in the private sector.*
>
> *Government, and the Newfoundland construction industry, should encourage and aid the flow of technology into the local construction industry, and the retention of new technology, through joint ventures and other methods; they should support upgrading and retraining for participants in the industry, so that this province's construction industry can be competitive with the rest of Canada.*
>
> *Government and institutions should promote the use of local materials and services within the construction industry, in order to gain maximum local benefit from construction activity, especially in public works projects.*
>
> *The provincial government should institute uniformity in its general conditions of construction contracts.*
>
> *An arbitration system should be introduced to settle disputes between the provincial government and construction contractors.*

Agrifoods and Animal Products: Awaiting Development

While the last part of this section dealt with established industries, where we cannot realistically expect many new jobs in the foreseeable future, this section examines two resource industries which are as yet undeveloped in this province. Potentially, they could provide some of the new jobs we need so badly. In the Introduction to this Report, we identified agriculture as one area where we believe the development of small-scale activities offers exciting possibilities. We see agriculture as an underestimated and underutilized industry where the potential for development and employment is spread throughout the regions of the province, particularly in those areas where unemployment levels are at their highest. Because agricultural operations in Newfoundland are usually locally owned and controlled, their direction for development can be based on local or provincial needs and objectives.

Unfortunately, policy-makers tend to view agriculture as being low down on the totem pole of developmental thrusts. The industry is small and does not have the sophistication, nor the same appeal for employment generation, as developments in (for example) other resource industries. Therefore, it often gets discounted: many scoff at the idea of developing a commercial agricultural industry, citing such reasons as climate and soils being too poor, the land base being too restricted, Newfoundland being unable to compete with mainland producers or our domestic market being too small for a commercially viable agricultural industry. While such criticisms may have been valid during those periods when the

Newfoundland government was trying to promote large-scale, export-oriented agricultural development, we find this way of thinking now to be unimaginative and unhelpful. New jobs in agriculture will not solve the province's unemployment problems single-handed but they may, with careful planning, be important jobs because, once again, they will be based on the province's resource strengths.

The agriculture industry consists of growing vegetables and field crops, raising livestock and poultry, dairy production and cultivating small fruits. Added to these activities are some processing operations such as Purity Factories' jams and jellies or Newfoundland Farm Products' packaged meats. The agricultural industry is even more extensive if one includes, for example: the cultivation of shrubs and bedding plants and the sale of locally grown cut flowers; feed milling and preparation; agricultural machinery and services, and even local household production. The point is that when we speak of agriculture, we should consider the **total** foods industry from the initial inputs (fertilizer, land, seeds), through primary production and processing, to transportation, marketing and services. The Commission refers to the total agricultural goods-producing and services industrial grouping as the **agrifoods industry**. To gain the full potential from agricultural pursuits, the industry must be seen as an integrated package with the linkages between its components developed to the full.

Closely linked to agrifoods is an industry the Commission has termed **animal products**. This involves the production of food, clothing and other products from wild and domestic animals. Moose, caribou, birds, furred animals and seals are all hunted, trapped or farmed in this province. Their meat can be eaten, fats rendered to oils and skins fashioned into clothing. The products of this industry, and the means to create them, are shared with the agrifoods industry.

The animal products industry has never been viewed as an integrated industry in the past, nor has it been linked to agriculture. Consequently, very little development has taken place in any serious way. Although we have harvested seals for centuries, little has been done to promote local tanning and manufacturing, or to capitalize on the commercial production of seal meat. Moreover, spent hens are destroyed and the hides of moose and caribou are usually thrown out. We believe that these resources are vastly underutilized and that there is potential for promoting productive activity in the animal products industry. Because very little has been done in any integrated fashion, this Commission has performed some preliminary research to identify the potential and determine the linkages between components in the animal products industry. In this section of the Report, we shall comment on both the agrifoods and animal products industries.

Agrifoods.

The agrifoods industry is underdeveloped in this province, despite federal and provincial government efforts over the last seven years (through a $16 million cost-shared agreement on Agricultural Development). Only a small proportion of the land suitable for agriculture is currently in production: the climate and soils are quite capable of producing a wide range of valuable products in large quantities. Moreover, future development of the total agrifoods industry can lead to new jobs.

Part of the reason why agriculture is not seen as a legitimate industry is because of its traditional role in the economic development of Newfoundland. The province's agricultural base has centred on small land holdings worked in conjunction with fishing activities. Such small land holdings provided commodities – root crops, meat and dairy products – for household consumption and to supplement incomes from primary occupations. Agriculture, that is, has traditionally been a 'subsistence' activity rather than a commercial, revenue-generating occupation. At this stage, we should stress that the word 'subsistence' often has connotations of 'primitiveness': societies which engage in subsistence activities are generally perceived as 'peasant' societies. Consequently, we have tended to reject such activities in our quest for progress and our wish to develop urban-industrial life-styles. Yet we might attach greater value to the term 'subsistence' if we were to see it as synonymous with 'self-reliance': a concept which is at the heart of this Report. Even the non-commercial and subsistence forms of agriculture practiced by many Newfoundlanders in the form of kitchen gardens and the like, should be encouraged.

Early attempts at settlement in Newfoundland were located close to the fishing grounds, with little or no regard for the development of any form of commercial agriculture. The early colonists found the combination of subsistence agricultural and fisheries activities to be technically and economically sound. Interest in large-scale agricultural development did occur at the end of the nineteenth and into the twentieth century, but this interest shifted with changing government policy and alternative economic activity. After the railway was built across the Island (but long before the Trans-Canada Highway), the Codroy Valley–Bay St. George's area, for example, provided large amounts of agricultural produce to central Newfoundland and beyond. However, improved communication services and transportation systems, the trend towards industrial occupational specialization and urbanization, and confederation with Canada (which involved the removal of tariff barriers), meant that these commercial agricultural activities rooted in a local tradition where the fishery was the supplementary occupation, began to lose their foothold in the face of external competition.

As Table 5.16 shows, the Dominion produced significant quantities of food products before union with Canada in 1949 but by 1951 local commercial production had dropped off significantly. What is also clear from the table is that the mix of commodities has changed dramatically since 1921. Emphasis has shifted from individual self-reliance and utilization of available land resources to a focus on more market-oriented 'confinement' production requiring a smaller land base, but heavier capital costs. In the last 10 years in particular, agriculture has become more sophisticated and, in one sense, is only just beginning as a commercial industry, despite the agricultural tradition which has existed for more than a century. We believe this is an important point, for policy-makers are questioning whether or not spending public funds in agriculture is worth it: federal-provincial agriculture programmes over the last seven years have been costly and government analysts note that more public funds go into agriculture per dollar of revenue generated than into any other industry, including the fisheries. Yet this is not a fair comparison if one sees agriculture as an 'infant' commercial industry, compared with 400 years of fisheries development. In building up a small but viable commercial agrifoods industry, initial costs will be high and several important constraints have to be overcome.

The majority of commercial food producers in Newfoundland are first or second generation farmers. On-farm activities are necessarily divided between producing food and developing the land base. Expansion must await removal of the land's

Table 5.16
Principal Agricultural Products and Production

Newfoundland, 1921, 1951, 1981

	1921	1951	1981
Improved Acres on Farm	89,000	28,982	16,300
Production			
Oats[1]	9,104	3,532	300
Hay[2]	49,250	18,067	10,000
Potato[3]	95,220	23,198	9,443
Turnip[3]	12,240	8,254	10,391
Cabbage[3]	7,668	4,239	5,273
Small Fruit[4]	27,940	22[6]	13,750
Livestock Slaughterings			
Cattle	7,876	2,200	2,000
Sheep	29,366	5,833	3,900
Swine	8,932	1,542	34,500
Production			
Milk[3]	65,592	19,385	21,900
Butter[3]	575	111	0
Eggs[5]	1,092	487	7,440
Chicken[3]	n/a[7]	n/a[7]	8,895

[1] Bushels.
[2] Tonnes.
[3] Thousands of pounds.
[4] Gallons.
[5] Thousands of dozens.
[6] Acres.
[7] n/a = not available.

Source: *Production and Trade of the Dominion of Newfoundland*, (London: Intelligence Branch, Empire Marketing Board 1930); Statistics Canada, *Census of Agriculture*, (1951); Newfoundland Government Department of Rural, Agricultural and Northern Development.

forest cover and further improvement is costly in terms of capital and time. The transition to a more commercially viable scale of operations is constrained further by the lack of agricultural expertise within the province. The geographic isolation of the Island (and even more so of Labrador) from major sources of industry service and information impedes the acquisition of this expertise. A somewhat related constraint on industrial progress is the slow rate of new process and new technology identification, adaptation and adoption.

The youth of our province are oriented principally to the fishery, forestry and mining resources as sources of employment. While established farmers are either not encouraging their sons and daughters to continue in agriculture, or else are failing to convince their offspring to carry on the family operation, new entrants to agriculture are infrequent and are usually the children of existing farmers. Yet, it is when we see the younger generation becoming new entrants that we see innovative ideas coming to the fore: the chinese vegetable farm in Robinsons or the 'pick your own strawberries' in the Humber Valley are two examples of relatively new and successful enterprises initiated by young farmers who sought out and went after a specific market need.

Being relatively new farmers also has implications in terms of capital supply and availability within the Newfoundland agricultural industry. Farmers are generally in the early stages of capital accumulation and have limited access to commercial sources of credit financing. The average capital value of Newfoundland farms is $170,000, which represents 41 per cent of the corresponding national average.[16]

An important constraint on the future development of agriculture as an integrated industry, is the lack of any significant secondary processing operations. According to calculations performed by Agriculture Canada, it takes $63,000 of output to create one person-year of employment in primary production, while it takes only $16,000 in secondary processing. The general conclusion that employment creation efforts should focus on fostering secondary processing capacity (which would have a simultaneous 'pull' effect on primary production), appears valid.[17]

In considering the employment possibilities in agrifoods, several important points must be made clear. Farm production and employment have remained relatively stable over the last five years in contrast to the disastrous effects of the recession on other resource industries. The effects of international markets, limited or depleted resources and increased foreign competition have meant that employment initiatives in most other resource industries are designed to slow down or offset losses in employment. The agrifoods industry in the province, by contrast, is substantially underdeveloped in all its aspects, and therefore opportunities for employment are in terms of new, additional jobs as opposed to employment 'offsets'. Primary agriculture is principally a rural industry and thus an appropriate activity for the province's rural society. There is potential for substantial growth in this area, both in production and employment terms.

Two indicators of the underdevelopment of the agricultural industry are the small percentage of suitable land used for agricultural purposes and the low education levels of most participants in this rather technical occupation. There are 250,000 acres of land with suitable mineral soils and over 5,000,000 acres of peatland which could be used for agriculture. Only a tiny portion of this has been turned into farms, as shown in Table 5.17, and only about 35 per cent of all suitable land on farms is in use.

Table 5.17
Farmland Use

Newfoundland, 1979—1983 (Thousands of Acres)

Description	1979	1980	1981	1982	1983
Land on Farms	40.3	37.9	37.9	34.5	35.4
Developed Land	18.0	17.9	16.3	16.4	16.8
Used	14.2	12.4	12.3	12.1	12.6
Unused	3.8	5.5	4.0	4.3	4.2
Suitable, Undeveloped Land	13.4	11.3	11.8	8.4	9.0
Unsuitable Land	8.9	8.7	9.7	9.8	9.6

Source: *Newfoundland and Labrador Agricultural Statistics Volume V* (St. John's: Department of Rural, Agricultural and Northern Development, 1984).

The low levels of education in the industry are shown in Table 5.18. They are indicative of a poorly developed, marginal industry. Furthermore, such low education levels will hamper any future growth in the industry, since producers will have to become increasingly more innovative and skillful in order to adapt to new methods and technologies.

The Commission recognizes that serious constraints on the development of a local agrifoods industry exist. Some of these constraints include the lack of basic infrastructure (such as equipment, machinery, roads, storage facilities, processing facilities, support services and research); the fragmentation of farm-land ownership, absentee landlordism, the absence of a comprehensive land-acquisition policy, and non-agricultural uses of farmland; the high cost of imported feed for farmers; the public perception of local agrifoods as being unimportant, and the present marketing system for agricultural products which encourages the marketing of imported foods. The major problem underlying all of these development constraints in agrifoods is the lack of a comprehensive policy for the province. As a result, government's actions have no basis or purpose, programming is usually inefficient, insufficient funds are allocated to the industry and the present state of underdevelopment continues. Government must outline a fully integrated policy highlighting the nutritional and health benefits from fresh local foods, the economic and social advantages of increased self-reliance and the need for price competition in our captive market-place. We recommend that a task force be created immediately by government to prepare an agrifoods policy for the province and thereafter to determine a strategy for meeting policy objectives.

One of the major aims of the policy should be to dispel the myth that, because provincial agriculture has to endure a harsh climate, a limited land base and mainland competition, the range of foodstuffs which can be produced efficiently and economically is too restricted. We know there are many good ideas out there: we heard several imaginative ventures proposed at our public hearings. While we are not in a position to perform feasibility studies on them, we think producers' groups, development associations and government should. In fact, Agriculture Canada initiated a study of potential processing activities in the province but,

Table 5.18
Educational Levels of the Agricultural Labour Force

Newfoundland, 1981

Educational Level	Persons	Per cent
Less Than Grade 9	505	36.0
Grade 9—13, No Diploma	445	31.7
High School Diploma	130	9.2
Trades Certificate	125	8.8
Post-Secondary, No Diploma	110	7.8
Post-Secondary, Diploma	50	3.7
University Degree	40	2.8
Total	**1,405**	**100.0**

Source: *Census.*

due to budgetary constraints, this study was terminated. The strategy to be determined by the task force should be comprehensive and focused on achieving long-term development goals. New concepts should be introduced which emphasize the total foods industry, the links between the foods industry and other parts of the economy and the wide range of possibilities for local food production. In particular, the integration of agrifoods with the animal products industry should be stressed wherever appropriate.

Since the Agricultural Development Subsidiary Agreement expired in 1984, there have been no cost-shared funds invested in Newfoundland agrifoods, despite the fact that the provincial government submitted a proposal for a new agreement over three years ago. When the province's Economic and Regional Development Agreement was signed with Ottawa in May 1984, a 'course of action' identified nine development areas for which subsidiary agreements were to be negotiated within a year. Agriculture and fisheries are the only two for which an agreement has not been signed. Newfoundland is the only Atlantic Province without an agricultural agreement in place; nationally, only Quebec and Ontario are in a similar position. The provincial government has provided short-term financial assistance to farmers in lieu of federal-provincial funding. However, this has been haphazard in its allocation and is hardly enough to sustain, let alone develop, the industry properly. **The agrifoods industry is too important for employment generation to be excluded from the set of federal-provincial cost-shared agreements.** Therefore, we urge both orders of government to resume negotiations for a cost-shared agrifoods agreement as soon as possible.

The federal government might be more receptive to the province's overtures for an agreement if the written proposal submitted in 1982 were revised. Revisions should place all programme and project proposals within the framework of the integrated policy referenced earlier. We suggest that the first function of the proposed agrifoods task force, then, should be the recasting of the province's proposal in line with the basic policy objectives it identifies. This should be carried out as quickly as possible and should not await the formulation of the entire policy.

This Commission, in its research, has identified some initiatives that the task force might wish to consider. We have already made reference to the growing of chinese vegetables and strawberries as two successful and new ventures which were initiated only in the last few years. If, ten years ago, a Royal Commission had suggested the commercial production of these two commodities in Newfoundland, many would have been sceptical. These examples serve to show that there are several opportunities out there - from the raising of spring lambs to growing more specialty crops. There is no reason, for example, why local farmers and fish processors could not join forces to produce specialized pre-cooked fish packs (using, say, cod and broccoli) similar to the 'seafood élite' line of foods now marketed very successfully by FPI in the lucrative United States market. FPI should itself encourage local farmers to grow some of the many thousands of pounds of vegetables needed for use in their 'seafood élite' product line. The Christmas tree industry, already well-developed in Nova Scotia and New Brunswick, has great potential here. As a winter-time activity, it would fit well into the seasonal round of rural Newfoundlanders, providing jobs in the off-season. Encouragement of this industry could be part of a more general policy to promote the 'flowers and shrubs' industry of the province, which is worth about $2 million in terms of annual sales.

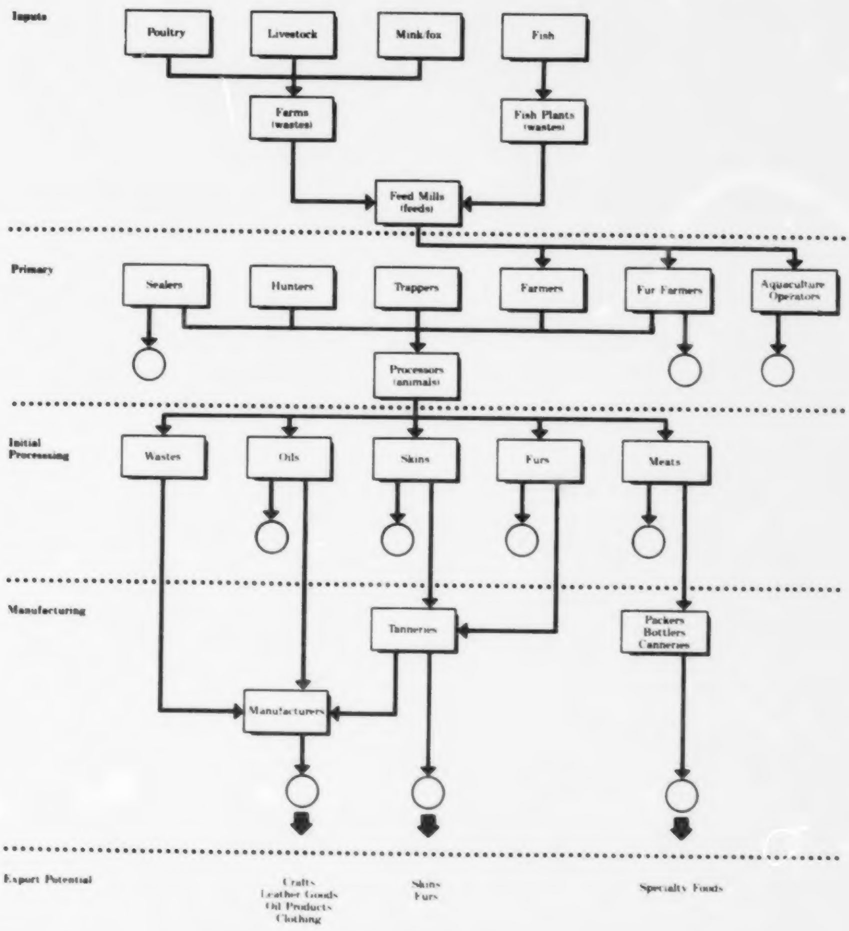
Another initiative worth mentioning is the creation of markets in major centres, particularly in St. John's. Here we refer not just to the farmers' market which has been tried rather unsuccessfully in the Churchill Square area of the capital city, but a complete market - preferably a covered one — which would offer a full range of market goods to consumers: produce, meats, dairy products, baked goods, fish and other foods, handicrafts, wools, cloths, wood products and the like. Given the failure of previous government campaigns to encourage consumers to 'buy Newfoundland' produce, it seems that people will not make special trips to a farmers' market just to purchase some local potatoes, carrots and turnip greens. But if consumers can visit the market on a Saturday morning during the weekly shopping expedition and can pick up a full range of goods, then they are more likely to behave like consumers in other Canadian cities and save their produce shopping for the regular trip to the market. This kind of competition might also encourage the local supermarket chains to purchase more local agricultural products.

Animal Products.

We would now like to turn our attention to animal products.[18] Despite centuries of harvesting animals, an animal products industry does not yet exist in this province to any significant extent. However, the kind of local industry schematized in Figure 5.5 could be developed. Current harvesting activities - including farming, hunting and trapping - are included and are augmented by the use of waste products from these operations. Increased local inputs to agrifoods, animal products and aquaculture are emphasized, as are the links between the primary production and manufacturing components of the industry. The development of potential export commodities and possible markets are clearly identified. Figures 5.6 and 5.7 show the detailed structure of two possible components of the animal products industry, sealing operations and feed production. The figures identify the processes and products which could be created if the industry were developed in an integrated and co-ordinated manner. While sealing and feed production are treated as separate entities in these figures, Figure 5.5 shows where and how these

Figure 5.5

Schematic Outline of an Integrated Animal Products Industry


Inputs
Poultry
Livestock
Mink/fox
Fish
Farms (wastes)
Fish Plants (wastes)
Feed Mills (feeds)
Primary
Sealers
Hunters
Trappers
Farmers
Fur Farmers
Aquaculture Operators
Processors (animals)
Initial Processing
Wastes
Oils
Skins
Furs
Meats
Manufacturing
Tanneries
Packers Bottlers Canneries
Manufacturers
Export Potential
Crafts
Leather Goods
Oil Products
Clothing
Skins
Furs
Specialty Foods

O = market

Figure 5.6

Schematic Outline of the Developed Seal Products Component of an Integrated Animal Products Industry

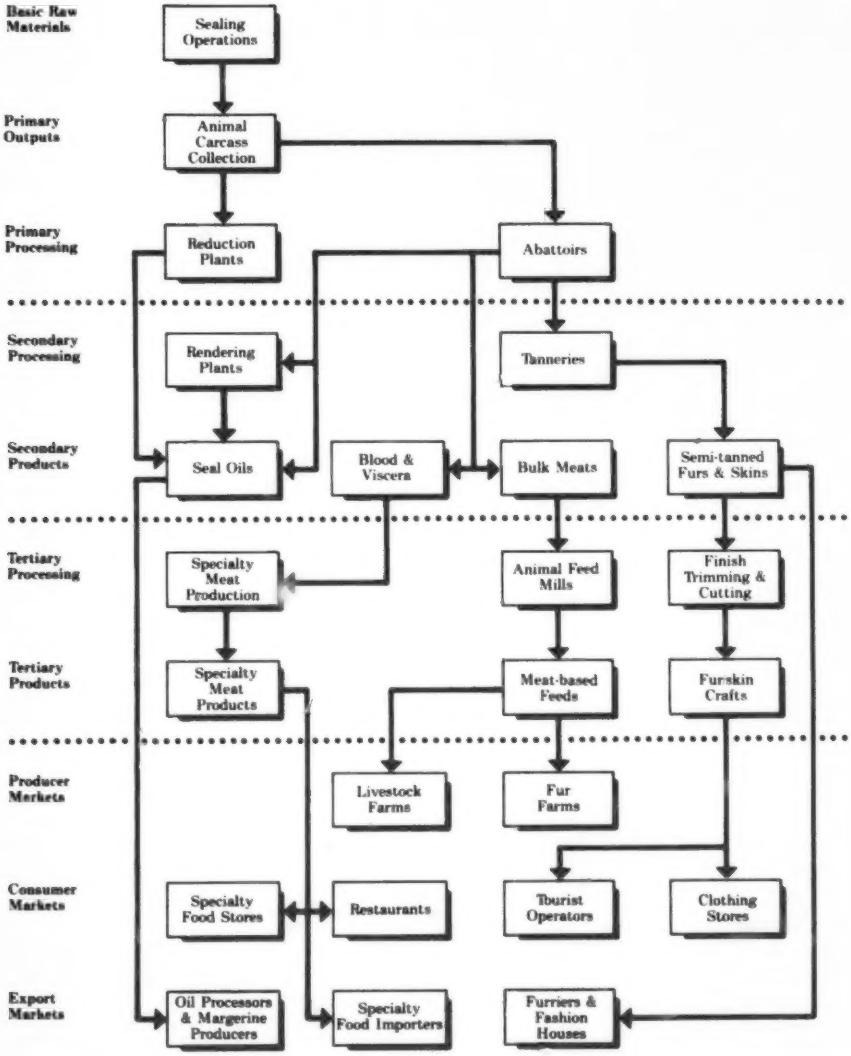
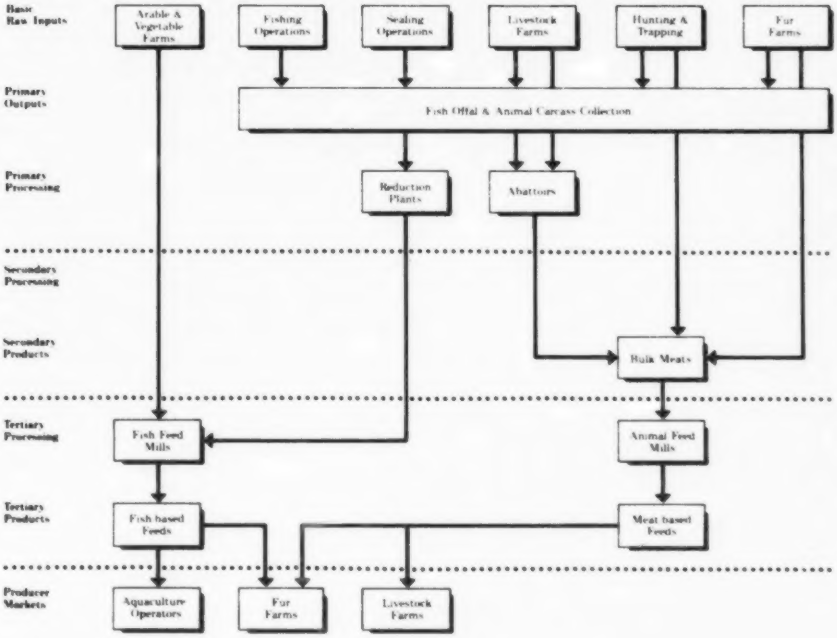

Basic Raw Materials
Sealing Operations
Primary Outputs
Animal Carcass Collection
Primary Processing
Reduction Plants
Abattoirs
Secondary Processing
Rendering Plants
Tanneries
Secondary Products
Seal Oils
Blood & Viscera
Bulk Meats
Semi-tanned Furs & Skins
Tertiary Processing
Specialty Meat Production
Animal Feed Mills
Finish Trimming & Cutting
Tertiary Products
Specialty Meat Products
Meat-based Feeds
Furskin Crafts
Producer Markets
Livestock Farms
Fur Farms
Consumer Markets
Specialty Food Stores
Restaurants
Tourist Operators
Clothing Stores
Export Markets
Oil Processors & Margerine Producers
Specialty Food Importers
Furriers & Fashion Houses

Figure 5.7

Schematic Outline of a Developed Feeds Component of an Integrated Animal Products Industry


Basic Raw Inputs
Primary Outputs
Primary Processing
Secondary Processing
Secondary Products
Tertiary Processing
Tertiary Products
Producer Markets
Arable & Vegetable Farms
Fishing Operations
Sealing Operations
Livestock Farms
Hunting & Trapping
Fur Farms
Fish Offal & Animal Carcass Collection
Reduction Plants
Abattoirs
Bulk Meats
Fish Feed Mills
Animal Feed Mills
Fish based Feeds
Meat based Feeds
Aquaculture Operators
Fur Farms
Livestock Farms

two components could overlap and become linked parts of a total animal products industry. Figure 5.6, a schematic outline of the developed sealing products component, shows how one source of basic raw input (seals) can create a variety of products varying from oils to meats. End products such as fashion clothing and specialty foods have export potential. Figure 5.7 shows a similar schematic outline for a fish-based and animal feeds products component. It takes multiple sources of raw inputs and illustrates how they lead to the production of a single commodity (feed) which in itself becomes an input for producers such as livestock farmers, fur farmers and aquaculture operators.

The high cost of importing feed for salmon, furred animals and livestock has been a major barrier to the development of production, processing and manufacturing industries in animal products and agrifoods. Recent technological developments which use locally available fish and potatoes to produce animal feed may substantially reduce both our dependence on imported feed and the resultant high costs involved. Local use of this technology could also be a tremendous boost to our livestock-related industry.

Government must investigate, establish and develop such an industry. Policy, strategies, programmes and projects must be prepared and funded. Many of the positive impacts that we identified for agrifoods are equally attainable in this industry. The potential exists for increased provincial enterprise and employment that is well-suited to our culture and life-style. Components of the animal products industry already exist here in isolation: small fur clothing manufacturers, canneries and various harvesting operations. An integrated industry created from those isolated activities now existing could combine the various inputs – harvesting, processing, manufacturing and marketing – to become a significant generator of employment. This industry is closely linked to agrifoods and can be thought of as an extension of that industry.

The potentially high volume of animals available from the annual seal fishery will play an important role in the development of a local animal products industry. Existing provincial processing, manufacturing and craft industries related to animal products have developed mainly from sealing. The continued existence of these activities, and their growth to include production from other animals, will depend on the seal fishery and its expansion. The seal fishery has traditionally played a fundamental role in the inshore fishing economy; it could also play an important role in an integrated animal products industry. The Commission, therefore, thinks it essential that the seal fishery be revived. It could contribute significantly to a new provincial drive towards self-reliance. If the Royal Commission on Seals and Sealing were to recommend a large grant for economic development in sealing communities, much of this could be spent on building up the kind of integrated industry suggested here.

We suggest strongly that the provincial government, through the Department of Rural, Agricultural and Northern Development, take over from the preliminary work performed by this Commission and develop it so that the feasibility of establishing (or integrating) an animal products industry can be properly assessed.

Conclusions.

Most of the resource industries of this province have seen substantial development over the years but agrifoods and animal products have remained significantly underdeveloped and underused. Major economic changes in our resource industries have led to declines in employment; new initiatives are often designed merely to offset job losses. However, initiatives to develop agrifoods and animal products would create new (incremental) jobs; these jobs would be valuable and appropriate because they would involve small-scale, rurally based activities; they would foster self-reliance; augment traditional lifestyles and culture and be less dependent on exogenous forces. We would expect them to have generally lower capital requirements than jobs in other industries and to be spread out across the province.

However, development of these two industries must begin with one absolute basic: the establishment of public policy to guide and promote development. Strategies for development must be established, and programmes and projects must be implemented, if we are to realize the full potential of these industries. Given a commitment by government they could have long-term positive impacts on employment for this province. Because many initiatives in agrifoods and animal products are public policy issues, the Commission recommends that interested parties refer to the relevant sections of our background reports where more detail is provided on the ideas we have for the future development of these industries.

Recommendations

The government should appoint a task force composed of industry and government, which would be charged with preparing a long-term policy on agrifoods, and a strategy for developing agrifoods, within the framework of the policy. The task force should consult with major producers and organizations across the province in preparing an agrifoods policy and strategy.

The Agriculture branch of the Department of Rural, Agricultural and Northern Development should be rejuvenated and renamed 'Agriculture and Foods'. The branch should be given an aggressive new mandate to cover all food issues, and should be reorganized and augmented to give necessary emphasis to production, marketing, food technology, education, processing, lands and soils and extension services. Applied food research, as well as planning research, should be established in the branch. A research and planning arm of the branch should be created to perform necessary economic and policy research on agrifoods issues. Government should give agriculture the prominence it deserves, possibly through creating a separate department consisting of agriculture, foods and animal products.

The provincial government should pursue the negotiation and signing of a cost-shared agrifoods agreement with the federal government without further delay.

On a more detailed level, there are several initiatives which would fit well into a new agrifoods policy and strategy:

- *Public awareness of the importance and value of the agrifoods industry should be raised. The establishment of more local produce markets and the holding of more fairs will aid this process.*
- *Local produce markets will help marketing of products, but continued efforts to improve marketing and market access are required.*
- *Government should implement a 'buy Newfoundland agricultural products' policy in public institutions. In addition, the public should be encouraged to buy provincial farm products.*
- *Government programmes must concentrate on aiding expansion of successful components of the local industry until a reasonable level of production is reached in these components.*
- *All linkages between the agrifoods industry and related industries (particularly in the service sector, but also in fisheries) should be actively encouraged in order to diversify agricultural production.*
- *The production of local feed for livestock should be increased, and the implementation of new feed technology should be supported, so as to replace the high cost of imported feed. In particular, government should ensure that recent advances in feed technology are harnessed for local production and use.*

- *New rules for land acquisition are required to encourage farm expansion and new farmers. A system in which land is initially leased, then granted after a number of years of production, may be the solution. Government should become active in getting unused land back into production by acting as an intermediary between interested parties.*
- *Government should consider seriously the problems of using prime agricultural land for residential or commercial development. If necessary, it should pass legislation which protects and preserves prime agricultural land with appropriate compensation to existing land owners.*
- *Programmes to upgrade farmers' skills and aid the introduction of new technology must be introduced, expanded and improved. Access to crown lands should be restricted to qualified individuals.*
- *Post-secondary institutions, particularly the province's community college system, should offer programmes and courses aimed at providing the kinds of agricultural training appropriate for this province.*

Government should investigate, analyze, plan the development of and create an animal products industry, based on the principles of long-term stable development and the use of appropriate, small-scale technology.

The provincial and federal governments must continue to promote the seal fishery, as an essential element of the animal products industry. Government must ensure the survival of the fishery by offering financial and other assistance to participants in the purchasing, processing, stockpiling and marketing of seal products. In particular, greater emphasis should be placed on the development of new products derived from the seal fishery.

A new division should be established, possibly under the agrifoods branch, to be responsible for the development of the animal products industry, and to act as a catalyst to bring the various groups in the industry together to help develop and integrate it.

Government should create programmes within the proposed strategy for development which address the industry's needs for appropriate technology, capital assistance, regulatory assistance, marketing and training. During the development of the animal products industry, gaps in its structure should be filled by government bridging programmes.

Government should ensure that new progress in feed technology (which is already taking place) be encouraged and promoted. In particular, initiatives to develop feed from a combination of fish and potatoes should be explored using local expertise and resources.

Oil and Gas

A very different industry, but one which also provides exciting new employment possibilities, is oil and gas. Rather than be too preoccupied with Hibernia, Newfoundland should take a long-term view towards the development of an oil and gas industry in the province. While the Commission is concerned with balanced development, it should be recognized explicitly that oil and gas offer the best opportunity in the foreseeable future for urban-industrial growth in the Newfoundland economy. Rural Newfoundlanders should be given every opportunity to compete for oil-related jobs, and some small service and manufacturing firms in towns throughout the province can realistically aspire to doing some work for the new industry, but the great bulk of oil-related activity will be concentrated in St. John's and eastern Newfoundland. Oil should be used to build up the strength of this urban-industrial part of our province, with as many direct benefits as possible going to other regions as well.

At the same time, it should be recognized that the promise of government revenues obtained through capturing a fair share of the resource rents from oil and gas production may, depending upon future world oil prices, provide a new opportunity for the provincial government to invest in regional development in every part of the province. The government should not use this economic rent to invest in expensive oil-related enterprises or to make financial concessions to the oil companies in order to entice them to locate industrial mega-projects in Newfoundland contrary to sound business practices. Rents should be maximized to diversify the economy, reduce taxes, reduce the provincial deficit, improve social services and spread economic activity throughout the province. This strategy would contribute most to the regional distribution of oil-related benefits and to the long-term development of the province as a whole.

In its work on oil and gas, the Commission has taken the long-term view. It commissioned a background report on oil and gas prospects to the year 2000 which was written before the recent decline in the world price of oil.[19] Therefore, the findings of the background report should be considered to be optimistic. Given less generous incentives for offshore exploration under the present federal government, oversupply of oil on the world market, the high cost of developing fields in the Grand Banks and the uncertain rate of offshore discoveries, it is likely that the number of rigs working the offshore will decline to about three per year from now to the end of the century. This will mean a decline of around 600 jobs in offshore exploration for Newfoundlanders, down from the high of 1,575 in June 1983. These will likely be compensated for by additional jobs in delineation drilling, but it is unlikely that very many new jobs will be created for the more than 10,000 Newfoundlanders registered for offshore employment with the Department of Career Development and Advanced Studies. The number of jobs could be increased somewhat, however, by instituting a 'two-week on, three-week off' work routine instead of the present 'three-week on, three-week off' schedule. The former is now common practice in the Norwegian oil and gas industry in the North Sea. If instituted in Newfoundland, it would create job opportunities for more people, including women (who are seriously under-represented offshore), would lessen the stress of the offshore work routine on family life and would be nicely compatible with Newfoundlanders' pluralistic life-styles.

Because of the high degree of uncertainty in the oil industry, it is best to make estimates of future levels of development and production, which can be continually updated as conditions change. The rationale for this is discussed in detail in the background report. Other fields which may be developed, such as Terra Nova and South Tempest, are smaller than Hibernia, making it likely that they will use floating production technology. Assuming a four-field scenario, (which looked likely before the recent price drop) we might expect to see approximately 800 person-years of employment in the development phase by the year 2000 (after peaking at twice this level in 1992), with around 1,000 jobs in exploration and 4,600 jobs in production. These figures should not be taken literally, but they do give an idea of the order of magnitude that might be expected. Assuming that about half as many induced and indirect jobs might be created as well, total oil-related employment might reach around 9,000 people, or about four per cent of the 1985 labour force by the year 2000. Such a level of oil-related employment might or might not affect the unemployment rate, since labour force participation would likely increase and we could expect some return migration of Newfoundland workers now living in other parts of Canada.

Such oil industry growth would nevertheless be a very welcome addition to the Newfoundland economy and, if significant resource rents could be captured, could stimulate other sectors in all regions of the province. It must be cautioned, however, that the above is an optimistic scenario developed before the recent price decline. Prices may well rise again and Newfoundland should prepare for such a scenario as a real possibility, but it must not fall into the trap of waiting for an uncertain oil boom to solve its unemployment and fiscal problems.

We cannot emphasize too much (as is explained in detail in the background report to the Commission) that the oil and gas industry is highly uncertain. Very many variables, from OPEC-induced price changes, through exploration success rates, to government policies have an impact on petroleum exploration and development, and these variables have a tendency to keep changing. Change is the only constant. It is very important, therefore, that the Newfoundland government employ a sophisticated system of forecasting which can be readily updated on an ongoing basis. Such a model, the Revenue/Employment Analysis Package #1 (REAP1) was developed for the Commission, and we hope that it will continue to be used and refined.[20]

The uncertain nature of oil exploration and development creates uncertainty in three important related areas: government-industry relations, education and training, and local business opportunities. We advocate that government policies recognize this uncertainty explicitly, and that they be designed to operate flexibly so that they can be easily adjusted if conditions change.

Recognizing that the international oil companies are likely to become long-term corporate citizens in Newfoundland, it is important that good government-industry relations be instituted. An atmosphere of mutual trust, rather than mutual suspicion, is more likely to be established if uncertainty and risk are borne equally by government and industry, rather than have government continually changing the rules of the game as conditions change. We support the suggestion that was detailed in a recent discussion paper from the Economic Council of Canada (ECC), that a profit-oriented **cash flow tax** be employed.[21] Unlike conventional royalties and corporate taxes, the cash flow tax would allow both government and the oil companies to prosper as the price of oil went up, while both would have to put up with lower income as the price went down. The system would also act as an incentive to the companies to minimize their costs, because lower costs would mean greater revenues for both the government and the companies. The provisions of the Atlantic Accord assure that most government revenues would go to Newfoundland.

The cash flow tax is illustrated in Table 5.19. It shows, for example, that an increase in price from 200 to 300 units would mean an automatic increase of 50 units in both government and industry rents, assuming a 50 per cent cash flow tax. Under a flat rate royalty system, by contrast, the bulk of the additional revenue would go to the companies.[22] Government would then probably change

Table 5.19
Illustrating the Economic Resilience of the Royalty and Cash Flow Tax

(Dollars per Cubic Metre)

			Effect of 25% Royalty		Effect of 50% Cash Flow Tax	
Price	Levelized Cost	Net Present Value (Economic Rent)	Rent to Company	Rent to Government	Rent to Company	Rent to Government
Base Case Initially Expected:						
200	100	100	50	50	50	50
Unexpected Cost Changes:						
200	50	150	100	50	75	75
200	150	50	0	50	25	25
Unexpected Price Changes:						
300	100	200	125	75	100	100
100	100	0	−25	25	0	0

Source: L.W. Copithorne, *Newfoundland Revisited*, Economic Council of Canada Discussion Paper 296 (Ottawa: EEC, 1986), p. 8-23.

its royalty rate, which would anger the companies, increase uncertainty and undermine trust between the government and the industry.

The main potential weakness of such a tax is that the companies could inflate their cost figures, or use transfer pricing, to disguise their profit margins. In the Atlantic Accord, the Newfoundland government unfortunately had to give up its intention of becoming a participant in the operating company for offshore production.[23] By participating on the operating board, the government would have had much better access to industry information than it now enjoys. Information control is crucially important, and the province should insist on being represented on the operating board even though it is not a participant owner of the fields to be developed.

Uncertainty also affects oil-related training. Officials at the Marine Institute and the College of Trades and Technology assured the Commission that they felt they could gear up to train people for the offshore oil industry, but they needed clear indications as to how many people to train and for what specific trades and occupations. Unfortunately, there is no simple solution to this dilemma. Mobil Oil's Environmental Impact Statement (EIS) gives a good indication of how many workers will be needed, and in what categories, for the construction of a concrete gravity-based production platform. But it is rather vague on how many new trainees will be needed, the future of the project itself is still uncertain, and the Mobil EIS tells us little about training needs for subsequent projects.

How should the provincial government and the post-secondary institutions deal with this uncertainty? There is no simple answer, but the Commission has identified certain guidelines. First, in the expectation that an oil industry will evolve in Newfoundland, we need to risk making investments now in oil-related education and training, and to give young Newfoundlanders opportunities to gain oil-industry experience in other oil-producing regions. The Commission supports the initiative of Memorial University's business and engineering faculties' co-operative education programmes, and the efforts of the provincial Department of Career Development and the federal Department of Regional Industrial Expansion (DRIE) in placing engineering and other professional students with oil companies in Alberta and the North Sea countries. We advocate that such a programme be extended to selected technological and technical trades at the Marine Institute and the College of Trades and Technology. At the same time, the government has to be careful not to spend too many scarce education dollars for an industry that may not grow as expected.

A second part of the strategy, in the short term at least, should be to concentrate upon the 'middle range' skill levels anticipated for particular oil-related projects. In the case of platform production for Hibernia, for example, most unskilled jobs will go to Newfoundlanders regardless of training initiatives. At the other end of the spectrum, there are a few highly skilled professional and technical jobs that would require heavy investments per trainee in order to ensure that they be filled by Newfoundlanders. Between these two extremes are many middle range jobs that would require some training, retraining or upgrading in order to be filled by local people. Examples are quality control and quality assurance technicians, engineering technicians and industrial mechanics. The province would get more for its investment dollar by concentrating upon this level, at least for the Hibernia project. For the longer term, it should plan to expand provincial expertise in rig and platform inspection, repair and maintenance which has become a vibrant industry in its own right in the North Sea. There should also be a concentration on developing those technologies which can be transferred to other industries here, or which can form the basis of new local industries.

Research done for the Commission suggests that fields subsequent to Hibernia will likely be developed by floating rather than fixed production platforms. Many of the skills required in constructing the latter, in particular the fabrication and mating of the steel topsides to the concrete base, are also required in fabricating floating systems. It makes sense, therefore, to concentrate more upon those job categories (such as diver, ironworker and boilermaker) which apply to both types of system rather than those which apply only to the concrete gravity-based structure (GBS).

More generally, we would advocate that education and training for the oil and gas industry be designed along the lines recommended in Chapter 8 for all occupational training. The post-secondary institutions should concentrate upon teaching people generic skills that apply across a range of related trades; training should take place through a co-operative system that gives people practical industry experience, and the specific training for specific projects should be done either directly by industry, or by programmes delivered by the post-secondary colleges and institutes in close collaboration with industry.

Training readiness for the oil and gas industry will depend largely upon close co-operation and good communications between the oil companies, Career Development, DRIE, the post-secondary institutes and the trades unions. An oil industry training liaison board should be established with representatives from each of these bodies. It should meet regularly and, using the REAP1 model mentioned above, should be kept up-to-date with oil industry projections. Within the provincial government a single agency, Career Development, should be given the responsibility of co-ordinating all oil-related training.

The uncertainty that has clouded oil exploration and development in Newfoundland has also had a detrimental effect upon many Newfoundland businesses that have tried to establish a niche in the industry. Millions of dollars have been invested with little to show in return. This has been very disappointing and frustrating for local entrepreneurs. Through provincial local preference guidelines and federal Canada benefits provisions, the oil companies have been encouraged to use local firms wherever these can provide goods and services on a competitive basis. A background study done for the Commission shows that local preference guidelines are difficult to enforce in practice; the preference provisions have not been consistently applied to sub-contractors; many firms, especially outside St. John's, are ill-informed about oil-related opportunities, and government agencies have taken a rather passive role in promoting oil-related business opportunities because they do not want to appear to be favouring one local firm over another.[24] While respecting this concern, the Commission advocates that it be dealt with in such a way that local business opportunities not be lost. Once government has decided in a fair competition which local firm has the right to a particular project – such as the construction of an offshore support base at Argentia or bidding on a share of the GBS platform construction – the provincial government should throw its full weight behind the local firm which will be in competition with outside companies. The Department of Development should also become more active in identifying small-scale manufacturing and service opportunities and in seeking out local firms to take advantage of them. Both government promoters and businesspersons should foster good relations with the purchasing agents of the operating oil companies and drilling contractors.

A major difficulty in Newfoundland is that exploration activity has not reached the high, sustained level that it has in other places, such as western Canada or the North Sea. Moreover, unless the federal government can be persuaded to change its offshore incentive programmes significantly, this is unlikely to change in the foreseeable future. Newfoundland firms will have to plan from the outset to compete in the international market if they want to succeed in most oil-related specialities. There are certain areas - such as distance communications, ice engineering and socio-economic impact assessment - where Newfoundland can compete with the best in the world and the government should support initiatives in such areas.

More detailed discussion on oil-related opportunities is contained in a background report to the Commission entitled "Local Business and the Offshore Oil and Gas Industry: An Analysis of the Variables Affecting Present and Future Involvement"; and many of the recommendations in Chapter 11 of this Report also apply to the oil and gas industry. The Commission advocates continued support for local business involvement as one important way to maximize employment opportunities from oil and gas.

Long-term success in the oil and gas industry, particularly if the province is to become involved in major module and platform fabrication, will also depend upon creating a healthy labour relations climate. This issue has been addressed in the recently released report of the Construction Industry Advisory Committee. The Commission supports the Committee's recommendations that GBS construction for Hibernia should be designated as a Special Project under Section 70 of the *Labour Relations Act*, that union labour should be required and that composite work crews comprising several tradespeople in related areas, should be employed. The Commission foresees, however, that such an arrangement could produce a great deal of conflict if no provision were made for employing local community and area residents. Discussions we have had with a senior labour leader from Alberta encourage us to believe that a satisfactory arrangement can be achieved, but it is crucial that labour leaders be consulted at an early stage and become full participants in planning for such projects. It is in everybody's interests that these projects be run efficiently and that deadlines be met. The Advisory Committee's observations on the Norwegian situation are salutary for Newfoundland:

> It was obvious that the construction of the GBS and the Topsides and the mating required the utmost co-operation between the trade unions and the management of the companies. Timing appeared to be very critical. Any disruption in construction is critical to the cost of the structure and the reputation of the contractor and his ability to deliver on time. It is interesting to note that all units constructed by Norwegian Contractors were delivered on time and within budget. This enviable record is due, to a great extent, to the attitude of both the employees and management.[25]

This is the kind of record that Newfoundland must emulate if it hopes to succeed in this highly competitive industry. It can be done, but it will require a new commitment to co-operation and compromise among industry, labour and government.

Finally, we would like to point to what the Commission sees as a rather worrying trend. During the late 1970s, the Newfoundland government appeared to be confident in its dealings with the oil industry and determined to encourage a wide-ranging public debate about the economic and social impacts of the new industry. The provincial Petroleum Directorate took the lead in this, and published a number of papers which were released to the public and contributed significantly to Newfoundlanders' understanding of oil and gas activities. Since that time, the jurisdictional dispute, the Supreme Court ruling in favour of Ottawa, the signing of the Atlantic Accord and the setting up of the Canada-Newfoundland Offshore Petroleum Board have eclipsed the role of the Petroleum Directorate somewhat. The new Offshore Board, however, has taken a purely regulatory view of its mandate and does not seem interested in public education and debate. Here is a niche that could be filled by a reinvigorated Petroleum Directorate. The Directorate has been engaged in some interesting social research during the past couple of years, but has chosen not to release its findings to the public. The Commission believes that the Directorate should revert to its earlier practice of contributing to public debate. Through an open and frank debate, involving all classes and regions of Newfoundland society, a sense of social consensus can be forged which would be a source of strength for the provincial government in negotiating with the oil industry and the federal government. The provincial government should treat its citizens as allies rather than censor the information it feels they should receive.

Recommendations

The first principle of oil and gas policy should be the maximization of the province's share of economic rents. These should be used to reduce taxes, reduce the deficit, diversify the economy, promote regional development and improve public services throughout the province.

A taxation regime, such as a cash flow tax, should be devised which reduces the tax burden on the companies when world oil prices are low; but the Newfoundland government should avoid both direct subsidization of the oil industry and speculative investment in expensive onshore oil-related projects.

The provincial government should insist on having a representative on the operating board for each major offshore development, including Hibernia.

The government should continue to promote the principle of landing and processing crude oil and natural gas within the province to the extent that it is economically feasible. All hydrocarbons produced should be taxed as if they were landed in Newfoundland.

The government should recognize explicitly that oil-related activities will be situated predominantly in eastern Newfoundland, and should promote the rationalization of the region's urban-industrial growth in transportation, municipal services, training, industrial relations and business development.

Notwithstanding the last recommendation, efforts by municipalities and enterprises in other parts of the province to become involved in oil-related manufacturing, fabrication and servicing should be actively supported by government.

The government should co-operate with the oil industry to introduce mechanisms, such as regional hiring offices and subsidized transportation, which would increase the opportunities for residents from all parts of the province to find employment in the oil industry; municipalities, development associations and other organizations in all regions should be provided with up-to-date information about oil-related activities and opportunities.

As far as possible, oil-related education and training should be decentralized to the community colleges, with only the most highly technical and specialist programmes offered at Memorial University, the College of Trades and Technology and the Institute of Fisheries and Marine Technology.

In co-operation with the oil companies, the province should adopt a 'two-week on, three-week off' routine for offshore oil workers.

For large-scale construction projects, such as the gravity-based production platform for Hibernia, the government should implement labour relations provisions along the lines recommended in the report of the Construction Industry Advisory Committee: Special Project designation, union labour and composite work crews. Government should begin early discussions with labour leaders on the issue of community and regional employment on major construction projects.

To ensure continually updated financial and employment forecasting, and to assess the revenue and employment implications of alternative development modes, the Petroleum Directorate should refine and use the Revenue/Employment Analysis Package #1 model designed for this Royal Commission.

An oil and gas education and training strategy should be devised and implemented incorporating the following components and principles:
- *the Department of Career Development and Advanced Studies should be given the responsibility of co-ordinating all oil and gas education and training in the province;*
- *a committee of oil operators, government and representatives from the post-secondary institutions should be charged with identifying specific needs and programmes for oil industry training;*
- *to a limited extent, the government should provide oil-related training and work experience for young Newfoundlanders in established oil-producing regions elsewhere, in anticipation of future developments here;*
- *as a condition of proceeding to the development stage of a prospective oil and/or gas field, all operators should be required to file for approval a human resources plan detailing the steps by which Newfoundlanders will be trained, in anticipation of employment opportunities in the production phase of the field;*

- in the near term, training should be geared mainly to those middle range occupations which require minimum investments for maximum job creation returns;
- training priority should be given to skills which are needed for both fixed and floating production system technologies;
- to enhance technology transfer, training for the petroleum industry should be undertaken using existing public institutions and facilities;
- the post-secondary institutions should focus mainly upon generic skills, with specific training being provided by industry or by the institutions in close collaboration with industry.

Local business opportunities from offshore oil and gas development should be promoted in the following ways:
- the Department of Development and Tourism should be given a strong mandate to actively promote oil- and gas-related business opportunities utilizing experienced business people from the industry;
- the Department of Development and Tourism should maintain, continually update and distribute throughout the province a list of oil-related business opportunities;
- local preference guidelines should be maintained and enforced by the Canada-Newfoundland Offshore Petroleum Board, with special attention given to following the enforcement 'down the line' to the sub-contractors of major projects;
- government should actively encourage and support local companies in bidding for and delivering on contracts with the oil operators and drilling companies;
- the other provisions for stimulating local enterprise as outlined in Chapter 11 of this Report should be applied to the oil industry;
- the Department of Development and Tourism should maintain a continually updated information service so that small enterprises can link into oil and gas development, in joint ventures where appropriate;
- government should identify an appropriate mechanism whereby private investors would have access to equity capital, thereby permitting an increase in local investment in the offshore;
- oil-related investment should be concentrated in using and developing technologies which will transfer to other industries which have the potential for long-term development in Newfoundland.

The Petroleum Directorate should be given a strong mandate to promote and co-ordinate social and economic research, public education and public debate about oil and gas, and it should make the findings of its studies readily available to the public.

II. The Service Sector

It has been only recently that economists in the industrial world have taken the service sector as a separate unit for serious inquiry and analysis. Adam Smith, in his *Wealth of Nations*, referred to services as a 'parasite', adding no productive value to the economic activity of society while Karl Marx, in *Das Kapital*, saw service industries as the embodiment of acquisitive and consumptive excess which both fuelled the exploitative and colonial nature of capitalist organization and ensured its eventual demise in self-destructive individualism. In 1985 capitalist organization has not collapsed and the parasite has grown to be much larger than the host organism.

Traditionally economists define 'services', or service industries, as either a residual of 'goods-producing' economic activity – and thereby report on economic performance in the goods-producing and service sectors – or adopt the Fisher-Clark (1939) model of industry analysis whereby industrial performance is accounted for within primary, secondary and tertiary sectors. Both of these definitional approaches assume that service industries are an outgrowth of maturing industrial economies where rising productivity and incomes from increasingly automated resource harvesting and manufacturing industries liberate income to be spent, and employees to work, in service industries.

An outcome of the residual nature of conventional definitions of service industries is that they are a rather heterogeneous group of economic activities whose main common characteristic is that they do not result in a finished product for consumption. They include services which are public, private and non-profit, and range from such activities as selling vacuum cleaners, through providing legal counsel, to sophisticated forms of computer programming and analysis. Services differ widely in the ways in which they employ capital and labour and their growth is due to different social, economic and political forces.

Despite the variety and range of activities included within the service sector, service industries possess some general common characteristics which differentiate them from the resource, manufacturing and construction industries. Service industry employment tends to be predominantly white collar work, the labour force in service industries is generally better educated than in the manufacturing and resource industries and the levels of wages of junior level employees are generally lower than in primary and secondary industries. Service industry work is less likely to be seasonal, but more likely to include part-time employment. Women and minorities are more likely to find employment in the service sector than in primary and secondary industries and service industries are, generally, labour intensive and more likely to be located in urban areas. The service industry is more likely to be directed towards the domestic than the export market, although there are some indications of recent growth trends in 'export services'. Service industries are generally thought to have lower levels of productivity, although the imprecision of productivity measures in services is such that this matter is the subject of considerable debate.

Future Growth Prospects for Service Industry Employment in Newfoundland.

Employment in the service industries is projected to continue to increase throughout the industrial world for at least the next two decades. The increased entry by developing countries into the North American market for raw materials and manufactured products, the diffusion of computer technology into the workplace and the aging of the North American population, along with smaller units of household consumption, all contribute to the continued growth forecast for service-sector employment.

Although Newfoundland possesses its own distinctive cultural heritage, which is an important strength upon which to build, we are highly integrated into the North American industrial, consumer and service-producing economy. The changes which take place in North American life-styles and tastes, and the new ways in which resource and manufacturing firms do business, are likely to have a direct effect on our society, our economy and our chances of finding a job.

Forecasts of Service Industry Employment in Newfoundland.

While predicting the future is a perilous enterprise, it is important to attempt to provide some 'best guess' projections about how the service sector will perform in terms of new employment in Newfoundland over the medium-term future. In order to do this we have analyzed the Canadian Occupational Projection System (COPS) data made available from Employment and Immigration Canada and supplemented this with our own industry interviews and reviews of strategic forecasts, so as to come up with a composite picture of service-sector employment growth up until 1992. In all cases we present the COPS data without modification while adding our own assessment as to whether we think their computer based projection is too modest or too optimistic. We are aware that there are data problems with the COPS projections, but accept that they are the best estimates available.

Transportation.

The COPS projection for employment in transportation to 1992 (See Table 5.20) predicts a positive average annual growth rate of one per cent. We are less hopeful, and expect negative growth employment in transportation over this period. In North America the employment share of transportation services will be affected by increased automation (reducing the requirement for labour) and the continued shift from a goods-producing to a service-producing economy, which will diminish the proportionate role of transportation as a generator of employment. On the positive side, increased tourist travel is expected to generate new employment in airlines and tour buses in this industry, although this is likely to be offset by reduced requirements for business travel due to improved communications systems.

Employment in transportation in Newfoundland declined by 2,200 between 1971 and 1983. Although air transport employment increased modestly, significant losses occurred in rail transport, water transport and transportation storage services, due largely to industry automation and the containerization of freight coming into the province.

Table 5.20
Annual Percentage (Historical and Future) Change in Employment in Service Industries, by Rank

Newfoundland

Service Sub-sector	Historical[1]			Future[2]			Royal Commission Assessment
	Number	Per cent	Rank	Number	Per cent	Rank	
Business Services	5,000	12.0	1	6,389	3.1	2	Strong Growth
Finance Services	5,900	7.5	2	7,107	2.3	3	Modest Growth
Religion	1,900	7.5	2	1,609	−1.7	10	Modest Growth
Personal Services	28,300	7.1	3	32,205	1.5	6	Strong Growth
Public Administration	16,100	7.1	3	19,340	2.2	5	Modest Growth
Recreation Services	1,200	6.0	4	1,806	5.6	1	Strong Growth
Hospitals	12,300	3.5	5	12,967	0.6	8	Slight Growth
Communication	4,700	3.5	5	5,027	1.0	7	Modest Growth
Education	10,900	2.2	6	10,984	0.1	9	Slight Growth
Utilities	3,300	1.9	7	3,948	2.2	4	Slight Growth
Trade	26,900	1.1	8	34,377	3.1	2	Slight Growth
Transportation	11,000	−1.3	9	11,933	1.0	7	Negative Growth
Per cent Annual Change		3.6			1.7		Modest Growth

[1] 1971 to 1983
[2] 1983 to 1992

Source: Derived from Canadian Occupational Projection System (COPS).

The major factor affecting transportation employment in Newfoundland is a public policy decision on the fate of the Newfoundland railway. The railway currently employs some 800 people, down from 1,400 in 1979. Its future is imperilled by many factors. Among them are:

- The railway is losing large amounts of money. The Nielsen Task Force Report estimates capitalized annual losses (including the proposed $240 million five year capitalization programme) to be in the order of $400 thousand per worker.[26] A more conservative estimate based on the annual operating losses of Terra Transport($40 million per annum) and the Federal Government subsidy to CN Marine for rail freight movements across the Gulf ($20 million per annum), is an annual operating loss of $60 million (or $120 thousand per worker), excluding capital costs.
- The Canadian Transport Commission (CTC) has issued a ruling which, between December 1984 and February 1985, required Terra Transport to increase its rate structure, due to a complaint filed by the competing marine carriers that the existing rate was unfair to other modes of transport. Although the ruling has been suspended by the Governor in Council awaiting a ruling by the Court of Appeal, during the time when the increased rate structure was in effect, the railway lost customers to its marine and truck transport competitors. If the ruling is upheld, the market share of Terra Transport will be further eroded.

This Commission cannot attempt to duplicate the deliberations of the Royal Commission of Inquiry into Newfoundland Transportation, chaired by Dr. Arthur Sullivan in 1978. The split decision on the future of the railway emanating from that Commission, and the recommendation to allow a modernized rail system to try to become viable over a five-year period, have resulted in a railway which remains in jeopardy at considerable public cost. Sooner or later the railway will be closed down.

We believe that the capital and operating subsidies of the railway could be much better spent in upgrading our road system and providing the opportunity for other parts of the economy to be more successful and competitive. We also believe that the federal government has a responsibility to compensate adequately those workers whose livelihoods are impaired by the inevitable decision to eliminate rail service. They are equally responsible for compensating the people of the province with an amount equal to the capital costs that would have been put into the railway, the operating losses of the railway and the CN Marine rail freight subsidy. By our reckoning, that should amount to something in the order of an initial $24 million per annum in perpetuity (that is, the interest on the capital that would not be spent on the railway), plus an amount equal to the present Terra Transport subsidy, indexed for the period of time that it takes to bring the Newfoundland road system up to Canadian standards: a total of $64 million per annum, $40 million of which would be indexed.

It is our assessment that the railway is going to be either eliminated now, or phased out over time. The security of almost 550 people whose employment is at stake (an estimate of the work-force required if containerization goes to completion) is not improved by the recent measures taken to postpone what is an inevitable outcome. Some of these people will lose their jobs if the next five years of containerization improvements serve to postpone the railway's eventual fate.

The double jeopardy of awaiting this precarious stay of execution is that, as the railway reduces its annual operating losses, the level of federal financial compensatory obligation is reduced as well. We must also be mindful of the employees of marine and road transportation modes, whose employment security is threatened by the marginality which results from three transport modes competing for a small and dispersed Newfoundland market-place.

There is nothing on the economic horizon which alters the circumstances of our transportation market. Much of the transportation required for the Hibernia development will be project-dedicated marine traffic. The uncertain prospects associated with enhanced trade with the United States may offer a more efficient and profitable trucking industry with superior back-haul capacity from our fish markets in Newfoundland. It is, however, certain that, without additional development and operating resources to improve and maintain our road system, all parts of our economy will become incrementally marginalized.

We do, however, believe that Terra Transport should remain active in the province as an inter-modal carrier, and that a subsidy should continue to be paid to maintain the Montreal-St. John's or Halifax-St. John's marine transport service at a level which does not exceed that required for the same goods which are moved via the Gulf service which is constitutionally guaranteed. Both of these measures will help to maintain a competitive and diversified transportation service. Government should also carefully monitor the increasing deregulation of the transportation industry, especially air services, to ensure that adequate levels of service are provided to all regions of the province (See Chapter 9).

Communications.

The COPS projection for employment in communications to 1992 (See Table 5.20) predicts a positive average annual growth rate of one per cent. We also expect modest growth of employment in communications over this period. While many firms are reducing labour due to office automation, it is the communications industry which is a major beneficiary of the service industry transformation of the work world. The increased requirement for communications services in the oil and marine industries, the increasing use of inter-office electronic communications formats, the expansion of cable television systems and the greater number of smaller sized household formations, create strong conditions for continued employment increases in this industry. In Newfoundland, the increased automation of postal services and the unlikelihood of expansions in the capital or programme budgets of the Canadian Broadcasting Corporation (CBC), diminish what is otherwise a prospective growth industry in terms of new employment.

The Commission feels there is good reason to expect that employment growth will continue in the medium term. We believe that government should take conscious steps to ensure that state of the art communications systems are diffused throughout the public service and other public institutions in the province. Government must take the lead in the diffusion of these new technologies so that all regions of the province can develop a fluency in the new technological opportunities offered by the information age. All government departments should be required to develop a communications plan with the assistance of expert consultation.

A more promising and forward-looking way to enhance the service sectors of small communities is through modernizing their communications systems and, through this means, their information hook-up to urban North America. In some ways, Newfoundland is already very progressive in this regard. The Newfoundland Telephone Company has 99 per cent of its customers on direct dial private line service; Memorial University's Faculty of Medicine has instituted a system of telecommunications with offshore oil rigs that surpasses systems in other offshore regions, and the University's Extension Service provides courses throughout the province using video cassette recordings and teleconferences. The Commission itself was able to gain access to six small villages on the east coast of Labrador through a unique teleconference public hearing. Both the University and Newfoundland and Labrador Computer Services have top-class experts in computer technology and communications.

These communications resources could be much better used and developed for serving rural communities. Starting with such local agencies as schools, libraries, town halls and development association offices, it is not too fanciful to envisage a future in which all Newfoundlanders, no matter how remote their community, can be plugged into a sophisticated and up-to-date information network: fishermen could be updated on resource availability and market trends, local entrepreneurs on new business opportunities and workers on job openings in all parts of the province and even elsewhere in Canada. The communications revolution also offers exciting new possibilities for education and training. The fish plant worker does not need to go to the Marine Institute in St. John's, or even to the nearest campus of her community college, to learn about quality control and maximizing product yield. She can learn about it at the computer terminal of the local fish plant, or even at home on her own personal computer. The Commission is not qualified to make specific recommendations about how the 'electronic village' school should become a reality in Newfoundland. But we are convinced of its feasibility, and of its importance in the process of rural regeneration and long-term employment enhancement. This potential needs to be pursued with some vigour.

Information/communications is both a major service industry in its own right, and an essential means to the growth of a myriad of other service activities. Through the kind of communications development we envision, people in all regions and rural communities would be able to compete on an equal basis with their urban counterparts in the expansion of this province's burgeoning service sector.

Utilities.

The COPS projection for employment in utilities to 1992 (See Table 5.20) predicts a positive average annual growth rate of 2.2 per cent. We are somewhat less optimistic, and expect only slight growth in utilities employment over this period. Earlier in this chapter we looked at the **production** of electricity as part of the energy industry. In its **delivery**, it is more often seen as a **service**. Soft world prices for fossil fuels diminish the prospects for electrical utility projects which have not already been developed. Energy demand is directly linked to the real economic growth prospects available for industrial nations which, for the remainder of this decade, remain uncertain. Having only recently emerged from the world recession, a return to 1970s annual growth rates is highly unlikely.

In Newfoundland, utilities are directly linked to public policy in the development of new projects by Newfoundland and Labrador Hydro and the construction of new water utilities for community infrastructure. Growth in this service has been modest, with a net employment increase of only 600 between 1971 and 1983 at an average annual rate of 1.9 per cent. The COPS forecast to 1992 calls for slightly higher employment growth rates at an annual average of 2.2 per cent. There are no new major electrical development projects on the order books, with the possible exception of the start-up of an Upper Churchill in-feed, subject to political negotiations between Quebec, Newfoundland and the federal government.

Trade.

The COPS projection for employment in trade to 1992 (See Table 5.20) predicts a positive average annual growth rate of 3.1 per cent. We are much less optimistic, and expect only slight growth in employment in trade over this period. Increased employment due to greater demand for lower-cost consumer goods in wholesale and retail trade is expected to be partly offset by technological innovations in warehousing, merchandising and inventory management.

Despite considerable increases in disposable income in the 1971 to 1983 period in the province, employment increased in the wholesale and retail sector by only 1.1 per cent per annum for a net increase of 3,100 person-years. In Newfoundland, trade would seem to be especially sensitive to the contributions by government to personal income. In 1984 direct income from the public sector, including the income received by civil servants, hospital and education employees, and direct transfers to persons through measures like the Unemployment Insurance Programme, amounted to something in the order of 52 per cent of total personal income in the province. This public contribution to personal income has risen from an estimated 20 per cent when Newfoundland joined Confederation in 1949.

While factors like the variations in the resource cycles of the inshore fishery, the markets for our resource product exports and the volume of construction activity in the province, have a direct bearing on disposable income and hence employment in wholesale and retail trades, it is the pattern of public employment and income which plays the major role in how many people are employed in our shops, malls and appliance repair outlets. Given the tight fiscal situation facing our governments, it is difficult to imagine that there will be major publicly induced increases in wholesale and retail trade employment; hence, our projection is more modest than the COPS forecast.

Finance, Insurance and Real Estate.

The COPS projection for employment in finance, insurance and real estate to 1992 (See Table 5.20) predicts a positive average annual growth rate of 2.3 per cent. We likewise assume modest growth of employment in this area. Finance, insurance and real estate services are among the leaders in all industries in technological innovation. In financial services, the automatic teller machines, debit cards, electronic funds transfer (EFT) systems, computerized cheque clearing and a host of other new electronic currency transfer systems are revolutionizing the industry. This has resulted in a decline in the number of tellers, sorters and clerks but an almost equal increase in the requirement for computer and computer-related skills. The insurance industry has experienced a dramatic expansion in the range of individualized services which it offers and real estate services remain strong for the medium term as the baby boom generation buys and sells in response to changes in occupational levels and increased occupational relocation.

Finance, insurance and real estate have experienced considerable growth in the 1971 to 1983 period with an increase of 2,800 new person-years of employment at an average annual rate of growth of 7.5 per cent. One can expect the insurance business to continue at current levels of growth, with real estate services expanding considerably in the St. John's area due to real and speculative market activities associated with the Hibernia project. Employment in financial institutions in the province seems less secure, as the share of income in savings in Newfoundland remains well below the national average, and the displacement of clerks, tellers and sorters is likely to result in new employment in the regional offices of banks, trust companies and related institutions outside of the province.

The province has a small, but strengthening, credit union system that, having established a market in the towns and cities, is now experiencing accelerated growth in rural areas. With assets of $64 million and savings on deposit of $50 million the credit union system offers the potential to build upon our financial resources in order to help create locally responsive financial institutions. The provincial government has wisely been taking initial steps to support credit union growth through providing assistance in establishing the Credit Union Stabilisation Fund and in assisting with the development of some of our newer rural credit unions.

Further developmental assistance should be provided, in consultation with the Credit Union Council, by relocating some of the government's existing small business assistance programmes whereby loan assistance would be guaranteed by the province, but administered through the credit unions. This would provide the credit unions with an opportunity to gain experience in commercial lending while, at the same time, providing them with an added revenue base upon which to build their future development.

Education.

The COPS projection for employment in education to 1992 (See Table 5.20) predicts a positive average annual growth rate of only 0.1 per cent. We likewise expect only slight growth in education employment. The aging of the baby boom generation and declining birth rates have meant that enrollments in primary and secondary education institutions have dropped considerably. Universities and other post-secondary institutions have been able to hold the line by attracting more mature students with an interest in academic upgrading or career change. The growth of private schools, and the increased requirement for the retraining of employees in industries which experience technological innovation, has meant that those displaced within the formal education system have been replaced by new industry-specific education and training occupational opportunities.

Between 1971 and 1983 total employment in this service increased by 2,100 at an annual rate of 2.2 per cent. Declining enrollments in the school system have been temporarily cushioned in employment impacts by the introduction of Grade 12. The recent White Paper on Reorganization of the Vocational Education System in the province identifies the need to replace up to 60 per cent of all existing vocational instructors. Other than for the expansion of private schools and new employment in industry-related training positions, the outlook for employment in education services is weak.

Religion.
The COPS projection for employment in religion to 1992 (See Table 5.20) predicts a negative average annual growth rate of -1.7 per cent. We are more optimistic, and anticipate modest growth here. Entry into religious vocations declined in Canada and the United States during the 1960s and 1970s, due in part to the highly secular nature of the youth movements at that time. Indications for the early 1980s are that the recession, and the high rates of youth unemployment, along with other non-market factors, have increased enrollments in novitiates, seminaries and schools of divinity. In Newfoundland, religious occupations increased significantly (by 900) in the 1971 to 1983 period. The growth of fundamentalist churches in the province along with other factors lead us to believe that modest rates of growth in this 'service' occupation will continue.

Recreation.
The COPS projection for employment in recreation to 1992 (See Table 5.20) predicts a positive average annual growth rate of 5.6 per cent. We likewise expect strong growth here. The industry outlook for recreation and leisure services is strong into the 1990s. The trend toward the purchase of personal services suggests that this will be a growth area related to both the residential and tourist markets. Employment in recreation services nearly doubled in Newfoundland, rising by 500, in the 1971 to 1983 period at an average annual rate of 6.0 per cent. This service is expected to continue to grow at this level, due to the increased consumer concerns about personal fitness and health.

Business Services.
The COPS projection for employment in business services to 1992 (See Table 5.20) predicts a positive average annual growth rate of 3.1 per cent. We agree and likewise expect strong growth here. With large corporations becoming increasingly vertically integrated, the requirement has been for the purchase of engineering, architectural, administrative, managerial, computer and training services on an out-of-house basis. This tendency is not only a product of the activities of large corporations, it is also a pattern which is occurring increasingly within public institutions.

To a large extent the expected rise in 'producer services' involves the displacement of employment from one industry to another. While net employment increases can be expected with the technological adjustment associated with the introduction of the computer into private and public institutional life, the purchase of accounting services, for example, in the commercial market displaces, or replaces, employment which would formerly have been performed by accountants within the client's organization.

This has been the most dynamic service among all Newfoundland service industries, growing by 3,000 person-years of employment at an average annual rate of change of 12 per cent in the 1971 to 1983 period. With the advent of the Hibernia project, and the increasing disposition of existing firms to contract out formerly in-house services, this sector is expected to remain dynamic in the future.

Newfoundland has a strong core of consulting firms in engineering, architecture, planning and a variety of other professional service areas. The Commission believes that the growth of this service provides the province with the basis for increasing the efficiency and competitiveness of all other parts of the economy.

Personal Services.

The COPS projection for employment in personal services to 1992 (See Table 5.20) predicts a positive average annual growth rate of 1.5 per cent. We are more optimistic and expect strong growth here. The declining birth rate has been offset by a growing female labour force participation rate and greater numbers of separated and divorced parents, resulting in increased private household and restaurant services. The tourist services industry, while undergoing automation, is also expected to experience net increases in employment as wage earners continue to consume leisure far afield from their place of residence. The growth of the 'do-it-yourself' market is expected to increase with continued expansion in the equipment and machinery rental services.

The Personal Services subdivision of the Standard Industrial Classification (SIC) is a very heterogeneous classification including baby-sitting, homemaking, tourism, restaurant, laundry, barber, beauty, funeral, labour/trade association, photographic, automotive/machine rental, welding and blacksmithing services along with services to buildings and dwellings. A coherent strategic forecast which pertains to all of these service activities is therefore difficult to provide.

Personal Services experienced considerable growth in the 1971 to 1983 period with total employment increasing by 13,050 at an average annual rate of 7.1 per cent. The development of a major convention centre in St. John's, the increasing restaurant and tavern market due to office building development in the capital city, and the growing specialization of personal service industries in the province, portend continued although slower growth in the forecast period.

Tourist-related employment has grown rapidly over the last decade and the Commission expects that there is considerable additional potential for increased employment in this industry (See Chapter 9).

Hospitals and Health Care.

The COPS projection for employment in hospital and health care services to 1992 (See Table 5.20) predicts a positive average annual growth rate of only 0.6 per cent. We concur and anticipate only slight growth here. This is a very important industry which, with considerable government funding, if it could afford it, or even with better use of monies currently available, could promote additional employment in nursing homes, medical and dental clinics and paramedical services (such as physiotherapy) throughout the province. Since hospital care has been the subject of another recent provincial royal commission, we have not addressed it further here.[27]

Unlike other service industries, where automation tends to replace labour, technological innovation in health services brings with it the requirement for greater numbers of more highly specialized medical professionals and paraprofessionals. The development of diagnostic, illness management, systems management, care and prevention technologies has revolutionized health care and will result in net employment increases as the population ages and requires more medical attention.

Employment in the Newfoundland medical services industry increased by 3,600 between 1971 and 1983 at an average annual rate of growth of 3.5 per cent. This growth, which was highly concentrated in urban areas, took place largely because of new hospital construction programmes over the last decade. Medical services are the second largest consumer of provincial government expenditures and the constraints on the province's fiscal capacity make it unlikely that continued rates of growth can be maintained. Moreover, there presently exists some duplication of nurses' training in the province and the schools of nursing will have to be evaluated in terms of cost-efficiency as well as course co-ordination with the School of Nursing at Memorial University.

We understand that every community in Newfoundland cannot possibly have its own hospital. On the other hand, a more imaginative approach to health care could be developed, incorporating more paramedical practitioners, community health clinics and telemedicine communications hookups from remote communities to the Health Sciences Centre in St. John's.

Public Administration.

The COPS projection for employment in public administration to 1992 (See Table 5.20) predicts a positive average annual growth rate of 2.2 per cent. We also expect modest growth. Employment in public administration is likely to experience slow growth due to the inclination of governments to deregulate economic activity and the enduring fiscal crisis with which governments must grapple. The automation of information systems also results in net employment loss due to reduced requirements for administrative, clerical and stenographic services.

Direct employment in public administration almost doubled in Newfoundland between 1971 and 1983 with an increase of 7,400 new positions at an average annual rate of growth of 7.1 per cent. Given the fiscal positions of the provincial and federal governments, it is difficult to imagine how anything approaching this historical rate of growth can be maintained, although few would have predicted the growth which has already been experienced.

It is clear that public administration in Newfoundland plays a major role in providing people with both employment and income. The Commission believes that the provincial government should establish a programme of voluntary job sharing within the public service. We also believe that, given the problem of higher rates of unemployment in rural areas, the provincial government should attempt to promote greater regional distribution of employment throughout the province.

Summary.

We have seen that service industries have been the major generators of employment in Newfoundland, and in other industrial economies, over the last decade. As is reflected in Table 5.20, the service industries will continue to provide new employment over the next seven years, although, according to COPS, at a rate which is much lower than historical trends. The diminished levels of growth are due to demographic factors such as declining school enrollments and, more importantly, to the weaker fiscal capacity of governments to continue to provide expanded services in health care, transportation, public administration, communications and utilities.

As is reflected in Table 5.20, service-sector employment would increase at the rate of 1.7 per cent per year based on the COPS forecast, and at a higher rate than this (around 2.5 per cent) if the Commission's own assessment is correct.

While in other jurisdictions, such as the United States, forecasters predict that service-industry employment will continue at historical rates of growth, reaching 80 per cent of all employment by 1990, the Newfoundland share of employment in the service industries is predicted by COPS to remain at existing proportionate levels, as is reflected in Table 5.21.

Table 5.21
Sectoral Distribution of Employment

Newfoundland, 1983—1992 Per cent

Sector	1984	1986	1988	1990	1992	Annual Change
Primary*	9.7	9.2	9.3	9.4	8.7	0.1
Manufacturing*	11.1	11.0	11.0	10.8	11.2	1.9
Construction*	6.2	6.2	7.1	8.2	7.0	5.0
Service	73.3	73.6	72.6	71.6	73.1	1.7
Total	**100**	**100**	**100**	**100**	**100**	**1.7**

* Goods-producing Sector

Source: Canadian Occupational Projection System (COPS).

The Commission believes that the forecasts offered in Table 5.21, using data derived from COPS, underestimate the likely growth of service industry employment in the province. While we see little evidence of new employment prospects in the primary and manufacturing industries, and the forecast for increased construction employment is linked to the development of the Hibernia project and other public policy decisions, the service sector can be expected to grow at a level somewhat less than historical trends but higher than the COPS forecast.

Despite the diminished level of future growth, the service industries will remain a major factor in employment creation over the forecast period. Given the much larger size of the service sector, a 1.7 per cent annual growth rate translates into roughly 2,500 new jobs each year in contrast to the 500 new jobs per year which are associated with a 5.0 per cent growth rate in construction employment. This would account for about one-quarter of the new jobs needed to bring Newfoundland's unemployment rate down to the national average. The Commission believes that, were its recommendations put into effect, the number of new service-sector jobs could be considerably higher.

Public Policy and the Service Industries

We have seen that service industries have been the major generators of employment in Newfoundland for more than a decade and that they will continue to be an important source of new employment, albeit at diminished levels of growth, for the foreseeable future. Having grown by considerable proportions while governments were investing large sums into the resource and manufacturing industries where growth has been comparatively sluggish, the question arises as to whether service industry employment might be beneficially affected by co-ordinated public policy initiatives. Can service industry development become an integral component of regional development policy?

The Commission agrees that the concentration of public services, such as hospitals and communications systems, should sometimes be undertaken for the sake of efficiency, but the economic and social implications of such moves for small communities should be weighed in the balance. Greater efficiency should not simply be taken for granted, but should have to be demonstrated before such moves are approved. Modern computer- and satellite-communications render obsolete some of the old arguments about the locational advantages of size. The employment needs of communities and regions should also be taken into account when decisions are being made about the establishment of new government offices and services.

The Commission feels that more should be done by governments to plan for and promote the growth and distribution of service-sector employment. Comparatively little forethought and planning have gone into this sector of the economy, although it employs 7 out of 10 provincial residents and accounts for 80 per cent of our total personal income. The information age is upon us. As a province we can either ride the 'Third Wave' of economic and social change, or be swept out to sea by the undertow.

The provincial government itself should also set an example of how to come to grips with the important issue of the equitable distribution of employment throughout all regions of the province. To promote the further development of the service sector in line with provincial employment needs, the Commission recommends the following:

Recommendations

The provincial government, through the Departments of Development and Tourism and of Career Development and Advanced Studies, should perform regular forecasting of service industry development, and consult regularly with representatives of the major service-sector industries in the province to facilitate the growth of this sector.

The provincial government should establish a high-powered task force, composed of senior executives and other experienced professionals in the field, to devise and implement a strategy for accelerating the modernization of the communications/information and computer systems of all regions and communities in Newfoundland.

Given the highly competitive international market-place in which they are operating, Newfoundland consulting firms involved in the provision of business and producer services should form an industry association, local joint ventures should be encouraged and government should provide support for these local businesses in dealing with external competitors.

Government, through the Department of Development and Tourism, should assist local consulting firms involved in business and technical services to expand internationally through such means as conducting feasibility and market strategy assessments and hosting international conferences, with special emphasis upon areas in which we have a potential comparative advantage.

Government, in consultation with the Credit Union Council of Newfoundland and Labrador, should attempt to transact some of its financial affairs through the credit union system, with special attention being given to administering some of its financial assistance programmes to small business through the province's credit union movement.

In order to provide a much better appreciation, by those in the public and private sectors involved in service industries, of how to interact on a more efficient and competitive basis, government should establish a much more active programme of management personnel exchanges with service-sector enterprises.

Other things being equal, governments should attempt to decentralize public services into the regions and smaller communities. Services should be withdrawn and centralized only when it can be demonstrated conclusively that this would ensure a net economic benefit to the province; such withdrawals should be gradual and, as much as possible, alternative employment opportunities should be created in the communities losing the service.

Government should develop and implement a voluntary worksharing programme within publicly funded institutions, whereby those individuals with the resources and the inclination to pursue interests outside the workplace can do so, while those people who have the skills, but are without employment, can avail themselves of the greater number of employment opportunities that would result.

Notes

1. This chapter draws on D. House, M. Hanrahan and D. Simms, "Fisheries Policies and Community Development: Proposal for a Revised Approach to Managing the Inshore Fisheries in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986. Also, see M. Hanrahan, D. Simms, A. Hollett and A. Stuckless, "A Statistical Overview of the Newfoundland Fishery", Background Report to the Royal Commission on Employment and Unemployment, 1986.
2. See *Navigating Troubled Waters*. Report of the Task Force on the Atlantic Fisheries, Ottawa, 1983. The earlier federal report was *Policy for Canada's Commercial Fisheries*, Environment Canada (Fisheries and Marine Service), 1976.
3. The problems of exploitation and the truck system are recognized (See Chapter 2), but are not relevant to the structural point we wish to make here.

4. Historically, the merchant fisheries of eastern Canada only became viable over the long term when the merchant firms learned to use seasonality to their business advantage.

5. Report of the Proceedings, National Aquaculture Conference, St. Andrew's, New Brunswick, 1983, Science Council of Canada and Department of Fisheries and Oceans, Ottawa, 1983; "Aquaculture: a development plan for Canada", working paper, Science Council of Canada, 1984.
The Commission also acknowledges the assistance of IDP Consultants and Dr. J.M. Anderson of St. Andrew's, New Brunswick for assistance in the research from which this section is drawn.

6. Schrank, Roy and Tsoa, "An Econometric Model of the Newfoundland Groundfishery: Estimation and Simulation", a Report submitted to the Department of Fisheries and Oceans, Department of Economics, Memorial University of Newfoundland, 1984 (356 pages).

7. Schrank, Skoda, Roy and Tsoa, "Canadian Government Financial Intervention in a Marine Fishery: the case of Newfoundland, 1972/3 - 1980/81", forthcoming, 1986; Schrank, Roy and Tsoa, "Employment Prospects in a Commercially Viable Newfoundland Fishery: an application of an econometric model of the Newfoundland Groundfishery", forthcoming, 1986.

8. Schrank, Roy and Tsoa, "Relative Productivity and Cost-effectiveness of Various Fishing Techniques in the Newfoundland Groundfishery", Discussion paper #180, Economic Council of Canada, 1980.

9. G.R. Munro, "A Promise of Abundance: Extended Fisheries Jurisdiction and the Newfoundland Economy", Economic Council of Canada, 1980.

10. We deal with education in detail in two separate sections of this Report (Chapters 6 and 8).

11. For further discussion on community-owned fish plants, see W. Legge and R. Thompson, "Community Based Organizations in the Fish Processing Industry in Newfoundland and Labrador", Background Report to the Royal Commission on Employment and Unemployment, 1986.

12. Much of the background in this section on "Other Established Industries" is drawn from Background Reports to the Commission; see especially S. Delaney, "An Overview of Selected Resource Industries"; and D. May and A. Hollett, "The Causes of Unemployment in Newfoundland."
The Commission gratefully acknowledges the assistance of Adele Poynter, Resources Research Director for the Economic Council of Newfoundland and Labrador and the Economic Research and Analysis Unit of the Cabinet Secretariat for background information and data.

13. G.R. Milne and K.G. Mallay, "The Economic Impact of the Woodworking Industry in Newfoundland, 1981", Environment Canada Information Report N-X-220, 1982.

14. Department of Mines and Energy, "Potential Impact of Energy Conservation and Alternative Fuel in Newfoundland and Labrador", Energy Branch, July 1985.

15. Differences in total construction employment shown in Tables 5.13 and 5.15 for 1981 arise as a result of two data sources being used. Table 5.13 is derived from Labour Force Survey data which are estimates, while Table 5.15 uses *Census* data.

16. Information supplied by Agriculture Canada based on internal research.

17. Information supplied by Agriculture Canada based on internal research.

18. The Commission gratefully acknowledges the assistance of IDP Consultants Ltd. in the conceptualization of this industry.

19. Lars Osberg, "Employment and Employment Prospects in the Offshore Petroleum Industry of Newfoundland and Labrador", Background Report to the Royal Commission on Employment and Unemployment, 1986.

20. The REAP1 model is described in detail in Osberg's Background Report.

21. Lawrence Copithorne, *Newfoundland Revisited*, Economic Council of Canada Discussion Paper No. 296, January 1986.

22. Economists agree that a tax on profits is preferable to royalties. As Boadway argues, "royalties based on value or quantity of production are clearly inferior to income or profit taxes as means of taxing resource rents". Robin W. Boadway and H.M. Kitchen, *Canadian Tax Policy*, 2nd Ed., Canadian Tax Paper 76, (p. 200: Canadian Tax Foundation, 1984).

23. For an analysis of the Atlantic Accord see J.D. House, *The Challenge of Oil: Newfoundland's Quest for Controlled Development*, St. John's, ISER Books, 1985, pp. 303-12.

24. For details see IDP Consultants Ltd., "Newfoundland's Offshore Oil and Gas Industry: An Analysis of the Variables Affecting Present and Future Involvement of Local Business", Background Report to the Royal Commission on Employment and Unemployment, 1986.

25. Gordon G. Easton, William A. Alcock and Gonzo Gillingham, "Report of the Construction Industry Advisory Committee (1986)".

26. Task Force on Programme Review, "Economic Growth: Transportation: A Study Team Report of the Task Force on Programme Review", Ottawa, 1985; see pp. 247-263.

27. Newfoundland Royal Commission on Hospital and Nursing Home Costs, St. John's, 1984. The issue is also addressed in submissions to the Royal Commission on Employment and Unemployment by the provincial Department of Health and the Newfoundland Hospital Association.

CHAPTER 6

Human Resources and Human Problems

Whereas Chapter 5 dealt with the demand for people to work in the different sectors and industries of the Newfoundland labour market, this chapter deals with the people themselves. As western societies move towards a post-industrial era, it is becoming more and more clear that the most valuable of any society's resources are its people. To the extent that a society realizes the potential of its citizens, it is likely to be progressive and prosperous. The low incidence in Newfoundland of most social problems (crimes, suicides, divorces) compared to other western societies is a tribute to our way of life in social matters. It is in the economy, and particularly in the provision of meaningful employment to our citizens, that we fall behind other societies. The challenge is to preserve our social advantages while improving our economic performance. The upgrading of our human resources, both in terms of building upon the real strengths of Newfoundland's social and economic potential and in preparing people to grasp opportunities in national and international labour markets, must be an essential part of meeting this challenge.

This chapter begins with a brief overview of the current state of affairs in education and training in the province. Fundamental changes have to be made in this area if our human resource potential is to be realized. The proposed changes, which are central to our integrated employment strategy, will be presented in Chapter 8 of Part III. Section II of this chapter examines the special constraints experienced by Labradorians, native peoples, those in single-industry towns, those in regional pockets of particularly high unemployment, young people, women and people with disabilities, and offers specific recommendations about how the situation can be improved for each of these groups. Section III reviews the current income security system that sustains low-income households in our society. The system exhibits a number of inadequacies which will be addressed in Chapter 12 as another essential part of the integrated employment strategy of Part III. This chapter will conclude with some firsthand accounts of the difficulties experienced by unemployed Newfoundlanders themselves, and some suggestions as to how the lot of the unemployed can be improved.

I. Education and Training

In our post-Confederation push to become industrialized along North American lines, Newfoundland's education system as it is today was established. Elementary and secondary curricula and course content were modified to resemble those of mainland Canada and post-secondary education was modelled largely on that of North America. Programmes were started in new vocational schools and colleges to prepare young men for trades jobs and young women for service occupations. Considerable amounts of money and a great deal of attention were devoted to the system in the 1950s and 1960s. School construction proceeded at a furious pace, Memorial University was given a modern campus, vocational schools were built throughout the province and two colleges – one for the fisheries specifically and one for trades and technology – were constructed in St. John's. In increasing numbers, Memorial's education faculty graduated young teachers who, armed with the latest educational techniques, filled the new schools, which continued to be organized along denominational lines as they had always been.

Despite much progress, Newfoundland education still lags behind that of other regions. The drop-out rate (thought to be one of the highest in Canada) along with poor results on national achievement tests, raise questions about the quality of our education. Our trades and vocational programmes are also being criticized. They were first established to meet the needs of immediate post-Confederation Newfoundland, but since then the economy has undergone further transformation and the post-secondary system (in particular the trades and vocational component) has been slow to respond. Despite such weaknesses, there are potential strengths within our education system as well as a demonstrated willingness to change which is expressed both at the government and the trades/vocational schools levels.

Economic Development and Educational Achievement

It is generally recognized today that there is a strong correlation between economic development and the level of education of a population. Few studies that document this relationship are available in Canada, but it has been shown that a university education provides both private returns to individuals and public returns to society in the form of economic growth.[1] Education for economic development means not only providing people with the skills to fit job slots available in the provincial or national labour markets but, equally importantly, it means educating people to help them improve their work, create their own employment, and ultimately contribute to the advancement of their own lives and of their communities. In the late twentieth century, education is the key to becoming employable in Newfoundland, and to being mobile throughout Canada and the rest of the world.

Education can foster economic development and therefore employment in many ways. For example, it can teach people how to start their own businesses. If teachers had some background in the principles of regional economic development, they could contribute to economic self-reliance in their communities and guide their students towards successful careers. An educated population can also be used to attract industry to establish in an area. As well, education can foster the growth of research and development, which in turn will contribute to economic growth. Education can improve competitiveness, productivity and innovation and thereby strengthen industry. It is also closely tied to regionally appropriate development. Finally, it can be developed in such a way as to become a saleable service in its own right: for example, local expertise in cold ocean engineering and marine technology can be exported. Education, in short, can contribute to the economic development of our province and, through development, employment can be created.

The Commission cannot demonstrate conclusively that better education would necessarily mean more economic development and more employment in Newfoundland; but we are convinced, as many of those who spoke before us are convinced, that one major problem of our languishing economy stems from inadequacies within our schools and post-secondary institutions. Formal educational levels have been improving at too slow a pace; the gap between Newfoundland and the rest of Canada is serious at the school level, and has not been narrowing in recent years. Most alarming of all, evidence exists that the school drop-out rate is improving only very slowly.

Table 6.1 (See page 211) shows formal educational attainment levels in Newfoundland for 1975, 1980 and 1985. On the whole, there has been improvement, with a greater proportion of the population completing high school and going on to post-secondary education in 1985. As Table 6.2 shows, however, Newfoundland's performance during this period has not brought it closer to the national average. It is particularly striking that the proportion of the population with university degrees increased more rapidly in the country as a whole than it did in Newfoundland. In 1985, 30 per cent of the Newfoundland population were still functionally illiterate (less than Grade Nine education) compared to 19 per cent for Canada as a whole.

While it is now more difficult than in the past for everyone to find employment, it is still the case that the better educated one is, the better the chance of finding a job, as Table 6.3 shows. Unemployment rates for people with university degrees cannot be calculated from Labour Force Survey data, because the sample is too small. However, in June 1984, based on a Statistics Canada national survey of graduates, an unemployment rate of eight per cent was recorded among 1982 university graduates in this province, a rate substantially lower than those of other educational attainment groups. As we saw in Chapter 3 (See Figure 3.3), Newfoundlanders with degrees are just as likely to be employed as are their mainland counterparts.

The importance of education, both for individual employment and for economic development, makes the high drop-out rate from Newfoundland schools all the more disheartening. Table 6.4 gives graduation rates for five selected years. It is a matter of some considerable concern that the percentage of students who graduate from high school in the minimum number of years has remained very low during the past decade, although it is rising slowly. If Newfoundland is to progress economically and socially, this performance will have to be improved.

Table 6.2
Percentage of Population 15 Years and Over by Educational Attainment

Newfoundland and Canada, 1975 and 1985 (Per cent)

	Newfoundland			Canada		
	1975	1985	Change	1975	1985	Change
0-8 Years of School	38	30	−8	27	19	−8
High School[1]	38	45	7	46	50	4
Some Post-Secondary Education	7	7	0	9	9	0
Post-Secondary Diploma/Certificate	13	13	0	12	11	−1
University	4	6	2	7	10	3

[1] Includes persons who have either completed their secondary education or had at least some secondary education, but have not had any post-secondary education.

Source: Statistics Canada 71-529.

Table 6.1
Estimates of Population 15 Years and Over by Educational Attainment

Newfoundland, 1975, 1980, 1985

	1975		1980		1985	
	Number (Thousands)	Per cent	Number (Thousands)	Per cent	Number (Thousands)	Per cent
0-8 Years of School	135	38	136	35	127	30
High School[1]	137	38	172	44	189	45
Some Post-Secondary Education	25	7	24	6	28	7
Post-Secondary Diploma/Certificate	46	13	39	10	54	13
University	13	4	18	5	24	6
Total (Rounded)	**357**	**100**	**389**	**100**	**422**	**100**

[1] Includes persons who have either completed their secondary education or had at least some secondary education, but who have not had any post-secondary education.

Source: Statistics Canada 71-529, 71-001.

Table 6.3
Unemployment Rate by Educational Attainment

Newfoundland, 1975—1985 (Per cent)

	1975	1977	1979	1981	1983	1985
0-8 Years of School	18.8	20.2	19.9	18.5	25.6	28.7
High School[1]	16.0	17.4	16.6	16.1	21.4	25.1
Some Post-Secondary Education	—[2]	—	—	—	16.8	—
Post-Secondary Diploma/Certificate	—	—	—	—	14.0	15.1
University	—	—	—	—	—	—
Newfoundland (Annual Rate)	14.0	15.5	15.1	13.9	18.8	21.3

[1] Includes persons who have either completed their secondary education or at least some secondary education, but who have not had any post-secondary education.

[2] Dash indicates that rate was not published owing to small sample size.

Source: Statistics Canada, 71-529.

Table 6.4
Graduation from Newfoundland School System[1]

Year in Grade One	Students Enrolled	Year of Graduation	Number of Graduates	Rate of Graduation[2]
1963-1964	15,665	1974	5,661	36
1965-1966	15,469	1976	5,885	38
1967-1968	15,297	1978	5,428	35
1969-1970	15,043	1980	6,178	41
1971-1972	14,428	1982	6,772	47
1973-1974	13,229	1985	7,112	54

[1] Up to 1982, graduation occurred after completion of Grade 11; after 1982, graduation followed completion of Grade 12.

[2] The rate of graduation is graduation as a percentage of Grade One enrollment ten or eleven years earlier.

Note: The Newfoundland Department of Education has not compiled statistics on retention rates. Drop-out rates, therefore, cannot be calculated. Also, graduation rates should be read with caution since they do not take into account the movement of the population in and out of the province, which naturally affects the school population. Between 1962 and 1973, for example, Newfoundland lost approximately 50,000 people (net) due to migration. Between 1972 and 1984 that figure stood at approximately 30,000. (The number of those who were school-age children is not known.)

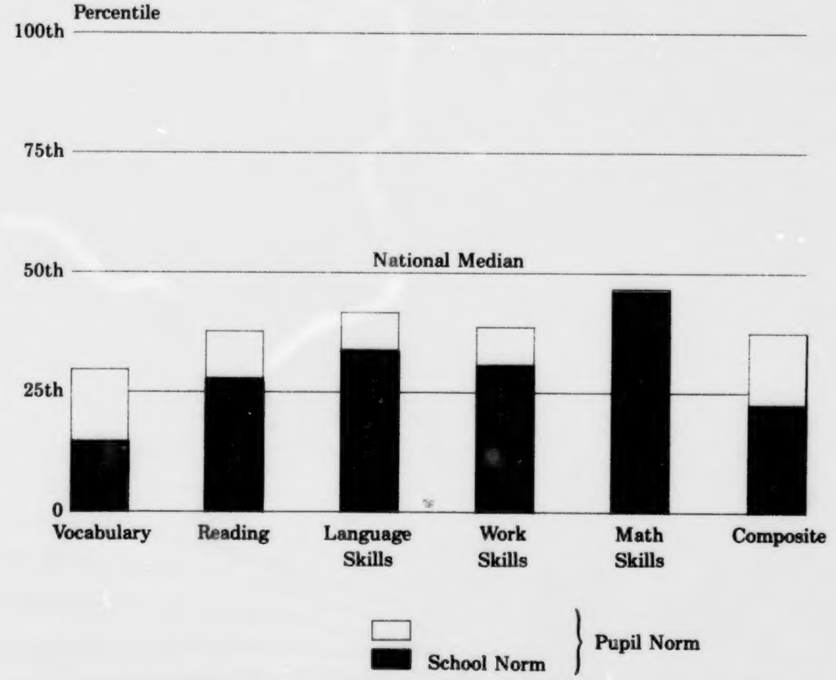
Source: Department of Education, Government of Newfoundland and Labrador.

Equally distressing is the fact that those Newfoundland students who do stay in school perform well below the national median, according to national achievement tests. Figures 6.1 and 6.2 show the results for Grade Four in 1984 and high school Level III in 1985 respectively. Attainment is shown in percentile rankings: those who lie on the 50th percentile have as many people/schools above as below them, that is, they lie on the national median. Newfoundland schools and pupils at the Grade Four level were consistently below the national median in all basic educational skill categories and seriously so in vocabulary and reading. The rank achieved by schools for the composite of all skills tested was a dismal 23rd percentile. High school students were likewise consistently below the national median, with a composite ranking at the 41st percentile and reading skills seriously low at the 38th percentile.

Figure 6.1

Percentile Ranking of Newfoundland Schools and Pupils (Grade Four) by Basic Educational Skill Groups

1984



Note: Pupil and school rankings are the provincial norms.

Source: Lenora Perry Fagan, *Report of the Elementary Standards Testing Program 1984* (St. John's: Department of Education, 1985), pp. 7-8.

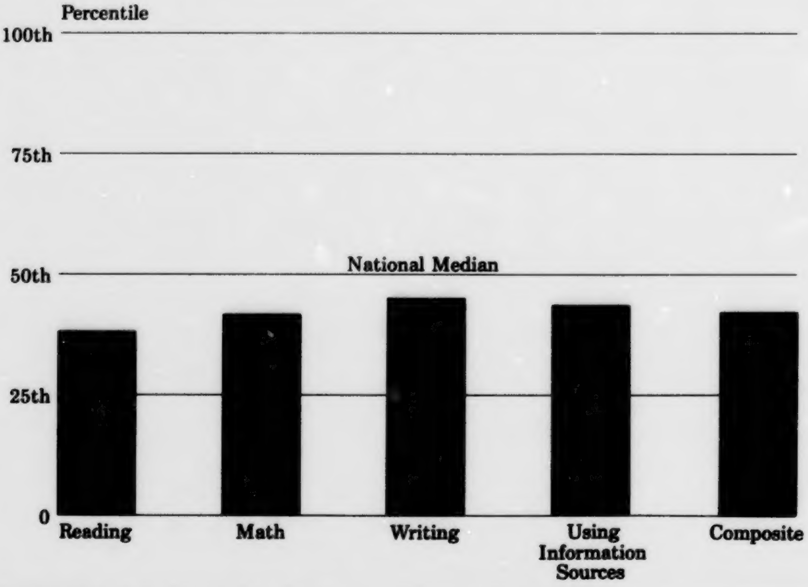
There were also wide differences in test results within Newfoundland. In the Grade Four tests, differences were recorded between school boards and between schools within boards. The gap between the attainment of the highest and lowest ranked schools in grade equivalents represented more than nine months' difference in learning. Put another way, the pupils tested in the lowest ranked school were already a full school year behind those tested in the highest ranked school after only 4 years of schooling.[2]

Figure 6.3 shows that there is also a serious difference between schools of different sizes: smaller schools were ranked lower than larger schools. This points to yet another problem in the Newfoundland school system - the discrepancy between educational performance in rural and urban areas. Highest ranks were achieved by the two St. John's boards and the board of Labrador West. Figure 6.4 shows that the situation is even more serious than the above statistics might suggest. The proportion of the population with less than Grade Nine education is very high in rural areas, and the proportion of the rural population with post-secondary education is correspondingly very low. This is, of course, related to unemployment. A vicious circle appears to be in existence in which unemploy-

Figure 6.2

Percentile Ranking of Newfoundland High School Pupils (Level Three), by Basic Educational Skill Groups

1985



Note: Number of students tested: 943.

Source: Lenora Perry Fagan, *High School Standards Testing Program Report, 1985* (St. John's: Department of Education, 1985), p. 9.

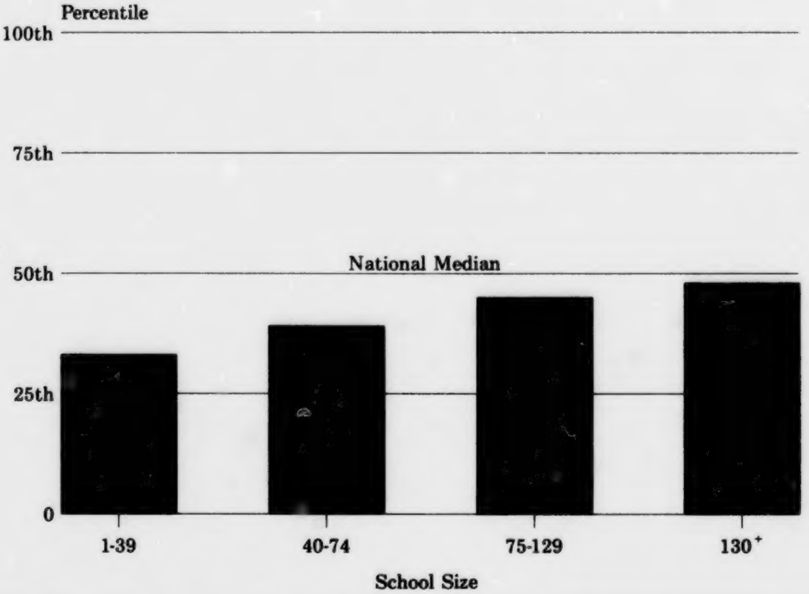
ment remains very high because people are poorly educated, but people fail to see the value of education because jobs are so scarce. Poor standards of education in rural areas can only make this situation worse. The urban population is better educated than the rural population and appears to be continuing to improve educational standards, albeit too slowly.

It is clear from the statistics presented above, that Newfoundland is failing to provide the province's youth with a satisfactory level of education. Chapter 8 of this Report contains several recommendations for improving Newfoundland's education system in general and in rural areas in particular. In the rest of this section, we describe briefly how the present system works and what its main weaknesses appear to be. We shall trace the system from early childhood through primary, elementary and secondary school to post-secondary and finally to adult and continuing education. More details on these topics are provided in the Commission's report, "Education for Self-Reliance".

Figure 6.3

Percentile Ranking of Newfoundland High Schools from National Standards Test for Grade Twelve (Level Three), by Size of School

1985



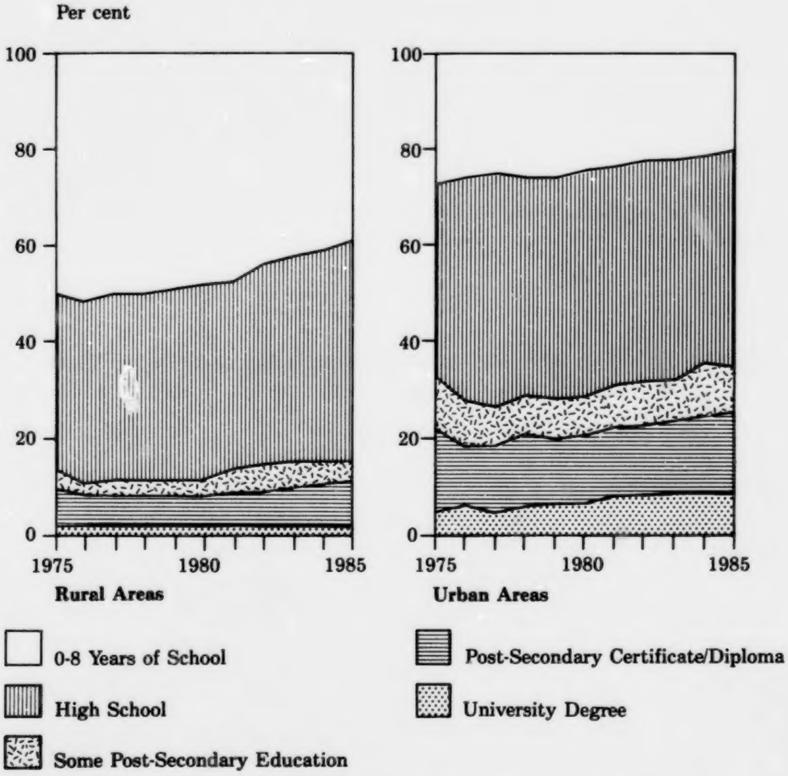
Note: The numbers of pupils tested in each category, from the smallest to the largest school size, were 210, 263, 138 and 271.

Source: Lenora Perry Fagan, *High School Standards Testing Program Report, 1985* (St. John's: Department of Education, 1985), p. 12.

Figure 6.4

Educational Attainment of People 15 Years and Over

Newfoundland, 1975-1985 (Rural and Urban Areas)



Note: 'Rural Areas' are 'Non-Self-Representing Units' and 'Urban Areas' are 'Self-Representing Units' as defined by Statistics Canada. Sample sizes for University Degree, Post-Secondary Certificate Diploma and Some Post-Secondary Categories are too small to provide accurate values. These data are estimates only.

Source: Statistics Canada, Labour Force Survey Special Tabulations.

Early Childhood Education

Acquiring a good solid educational foundation early on in life appears to be crucial to the ability to move successfully up through the higher levels of the education system to a satisfying career position. As the *Report of the Task Force on Child Care* (1986) relates:

> It is now accepted that the care, stimulation and nurturing received during the child's formative years (zero to five) are crucial to the development of adults competent to function in, and capable of contributing to, a modern post-industrial society.[3]

Disadvantaged children have also been found to benefit immensely from quality child care programmes:

> Disadvantaged children who attended preschool were more likely to complete school and more likely to hold jobs after school. An increase in successful years of schooling leads to more job possibilities and increased earnings. Consequently, there is greater participation of this socio-economic group in the labour force.[4]

The study cited here showed that the costs of the early childhood programmes were more than offset by the reduction in later educational costs (in special education programmes, for example).

With the publication of reports like this one on the advantages of good quality early childhood education, educators in Newfoundland have begun to lobby for the implementation of such programmes. In June 1981, the Minister of Education established an advisory committee on early childhood and family education, and in October of the same year the Provincial Advisory Council on the Status of Women made formal recommendations on the topic to the provincial government. In early 1983 a body of interested people formed the Day Care Advocates Committee and in May of that year, the Ministerial Advisory Committee reported its findings to government. Since that time, the interest in early childhood education and day care has been maintained at an official level and a number of actions have been taken to further the establishment of more quality day care centres. Interest among school teachers, officials and parents in general has increased as well. The end result has been the establishment of more licensed day care centres. As of May 1986, there were 63 licensed day care centres in the province following provincial government guidelines on programming. The number of full-time places in these centres amounts to approximately 800. The centres are scattered around the province, but nearly half are concentrated in the capital city region.

This progress is only a beginning: the needs of many children are still not being met. In 1981, the last census year, there were 49,140 children under five years of age in Newfoundland, 45 per cent of whom were estimated to come from low-income families. Approximately 30 per cent of the pre-school children in Newfoundland are likely to need day care: many have both parents working or are members of single parent families. Hence, the need for a comprehensive early childhood education programme is particularly acute.

Primary, Elementary and Secondary Education

One reason for low educational attainment and achievement scores in our primary, elementary and secondary schools is their curricula. Children are likely to find their education more relevant if it forms a part of their day-to-day experience,[5] but a cursory glance at the curricula and course materials reveals very little subject matter that relates to daily life in outport Newfoundland. There are also few courses about Newfoundland, particularly below the high-school level. The social studies course in Grade Five, which is entirely devoted to the province, and the social studies course in Grade Six, one component of which concerns the Maritime Archaic Indians, are the only two courses with any direct links to the province. In high school, Newfoundland literature is studied and Newfoundland topics are covered in a handful of other courses. Most of the reading material used is purchased from publishers in other Canadian provinces. As a result students, especially in rural areas, may find it difficult to relate to what is taught in the classroom. This in turn may lead to 'alienation', which is often cited by researchers as a reason for dropping out of school. A balance must be found between local needs and broad general knowledge, with locally relevant education seen as useful in itself and as an important way to interest students in becoming well-educated members of contemporary Canadian society.

The current curricula were also reviewed for their economic and computer-skills content, since both are central to coping in today's society. There is a paucity of relevant courses. A course on the Canadian Economy is being taught in the second year of the high school programme; few other courses touch on the topic. A small number of courses require the use of computers, the most important being Computer Studies 2206, a course whose basic aims are to develop computer literacy and to teach programming in BASIC. But while almost nine-tenths of the schools in the province offer Computer Studies and are equipped with computers, only about one-half of high school students in the province take the course.

It has also come to the attention of the Commission that many students find that the reorganized high-school programme is not challenging. While the added year in the system provides a greater range of subject areas, it does not allow for the strengthening and elaboration of a student's skills and knowledge. Two 1984 surveys showed that over 25 per cent of parents believed students were bored by their courses of study, while between 30 per cent and 40 per cent of the Grade Twelve (Level Three) students claimed that the programme was not sufficiently challenging.[6]

Career Counselling.

Career counselling, which is designed to prepare people for personally fulfilling employment, has become an integral part of modern education systems. Counsellors either conduct courses on careers and work, or they help students match their abilities and interests to a particular career area by testing and/or through individual appointments. Especially in rural areas, counselling may serve as the only opportunity for students to learn about their aptitudes, career choices and which educational steps they should take towards any particular career. The Newfoundland school system provides far too few counsellors. Whereas the Nova Scotia Royal Commission on Higher Education concluded that a ratio of one counsellor to 500 secondary school students was a minimum requirement, the Newfoundland system provides far fewer counsellors than that and there are wide regional variations (See Table 6.5).

Table 6.5
Counsellor to Student-Population Ratio

Newfoundland, 1985—1986

	Students	Counsellors[1]	Ratio
Integrated School Boards			
Avalon Consolidated	12,219	11	1:1111
Labrador East	2,228	4	1:557
Terra Nova	7,155	6.5	1:1,101
Ramea	455	0	—
Strait of Belle Isle	2,260	0	—
Exploits Valley	4,590	3	1:1,530
Bay d'Espoir	1,976	1	1:1,976
Cape Freels	1,613	0.5	1:3,226
Conception Bay South	3,256	4.5	1:724
Deer Lake	2,970	3.5	1:849
St. Barbe South	1,891	0	—
Notre Dame	3,587	3	1:1,196
Port Aux Basques	2,727	1.5	1:1,818
Burgeo	713	1	1:713
Avalon North	9,573	7	1:1,368
Green Bay	3,335	0	—
Vinland	1,857	0.5	1:3,714
Labrador West	2,080	3	1:693
Bonavista-Trinity-Placentia	6,717	4	1:1,679
Burin Peninsula	3,832	3.5	1:1,095
Bay of Islands-St. George's	5,963	3	1:1,988
Total	**80,997**	**58.5**	**1:1,385**
Roman Catholic School Boards			
Bay St. George	2,334	4.5	1:519
Port au Port	3,867	5	1:773
Humber-St. Barbe	4,528	1	1:4,528
Conception Bay North	2,704	1	1:2,704
Labrador	2,888	4	1:722
Exploits-White Bay	2,932	0	—
Conception Bay Centre	1,702	1	1:1,702
Burin Peninsula	4,337	2	1:2,169
Placentia-St. Mary's	3,692	3.5	1:1,055
Ferryland	2,189	0	—
St. John's	20,078	17	1:1,181
Gander-Bonavista-Connaigre	3,079	1	1:3,079
Total	**54,330**	**40**	**1:1,358**
Seventh-Day Adventist School Board	306	0.5	1:612
Pentecostal Assemblies Board	6,699	2.5	1:2,680
Provincial Total	**142,332**	**103.5**	**1:1,375**

[1] A part-time counsellor is included as one-half of a full-time counsellor.

Source: Based upon survey of provincial school boards conducted by the Royal Commission on Employment and Unemployment.

Many of the counsellors working in our system seem to be inadequately informed about career matters and further education. This is not surprising, given their demanding role in the present system. For government funding purposes, counsellors are considered to be the equivalent of teachers and, because school boards are under increasing pressure to decrease the pupil to teacher ratio, they tend to favour 'teaching' teachers over guidance counsellors. Those counsellors who are appointed have a multitude of tasks to perform, sometimes including teaching, and so the amount of time they can spend on career education is seriously constrained. The system has no means of disseminating information on careers throughout the schools to all counsellors, and the labour-market information that is available is often imprecise and poorly presented.

The Denominational School System.

Newfoundland has a denominational school system. Under the general direction of the provincial Minister of Education, three Denomination Education Councils (one representing the Roman Catholic Church, one most Protestant denominations, and a third representing the Pentecostal Assemblies) decide where money will be allocated for school construction, recommend appointments of school district members and how school board districts should be delineated, advise on the certification of teachers and prescribe religious instruction programmes. Each council is responsible for a number of school boards which perform the day-to-day tasks of running the province's schools. There are 35 school districts across Newfoundland and Labrador, each governed by a board. Each board is composed of at least seven members, of whom two-thirds must be elected.

While some changes have occurred in recent years, especially in governmental control and in the integration of three major Protestant denominations' school systems, there is still denominational segregation in the Newfoundland school system. Twenty years ago, Cheal found that denominationalism was associated with lower per pupil expenditure, lower teacher qualifications and greater educational need. He claimed that "denominationalism in the organization of school systems would tend to aggravate those conditions that lead to lower educational output."[7] Twenty years later similar concerns were voiced:

> While there is a diversity of historical factors leading to educational inequalities for denominational schools, it is obvious that the overall quality of education must suffer in rural areas where demographic and economic factors suggest that the maximum use of resources would be one large school, but denominationalism dictates the existence of two or more schools.[8]

There is wide agreement among educators and administrators in the province that those schools which are shared by many denominations, such as the schools in Wabush, Fogo, Plum Point, Bay de Verde and Glenwood, provide services which are superior to those that would have been provided if co-operation between the denominations had not been established.

No in-depth research has been conducted to calculate the costs of the denominational system. The Newfoundland Teachers' Association (NTA) argues that the added costs in transportation, administrative organization and duplication of facilities must be significant. The Association states, "There is such a duplication of effort that we believe as much as one dollar in five is now used solely to support this isolation approach" (i.e., the segregation of the denominations in separate schools).[9]

Teacher Training.
The teacher in a Newfoundland classroom is in a strategic position to influence personal, social and, by extension, provincial development. This is especially so in rural communities where the teacher often has more formal education than anyone else, and is often the only professional whom children can use as a role model. Teacher education must reflect the role that teachers should play, but are not now playing, in promoting self-reliance and community, provincial and general economic development.

When the standards in Memorial University's Faculty of Education (to which future teachers must conform) are examined, several inadequacies in the present system can be identified. Compared to those of the other professional schools and faculties, the entrance requirements to the Faculty of Education are low. A minimum average of 55 per cent in eight courses, other than Education, as an entrance requirement, does not ensure that students in the Faculty are meeting the standards that must be reached if they are to be well prepared for the demanding role of being a teacher. Moreover, the 60 per cent average which is required if a student is to remain in good standing once admitted to the Faculty is also low.

In the course work that Education students must undertake, more attention needs to be paid to developmental issues. The Commission recognizes that the Faculty of Education offers diploma programmes in Native and Northern Education. However, there are no provisions to ensure that all teachers will graduate equipped to teach in remote or isolated regions, or that they will gain a good, solid understanding of Newfoundland society, culture and economy. The one-credit compulsory course, School and Society, is not enough.

Beyond this, far greater attention has to be paid to training teachers in the art of teaching people how to learn, not just training them to present information. Indeed, this Commission is so concerned about the wide range of teacher training problems in this province that we considered recommending a separate teacher training college which would offer a teacher's certificate separate from, and in addition to, a regular degree programme that students now follow at Memorial University. We have, however, agreed that Memorial should be capable of modifying its education programme to accomplish the objectives of sound teacher training. Nonetheless, should such a modification not materialize in a reasonable period of time, this Commission feels strongly that alternate structures for providing that training would then have to be considered.

The NTA has been devoting most of its energy to consolidating the status of teachers within Newfoundland society during recent years. The Commission notes that the other main concern of the Association – the promotion of high quality education within the province's schools – has received new prominence in the NTA's most recent publication. We hope that teachers and the NTA will support the new initiatives for improved primary, elementary and post-secondary education presented in Chapter 8 of this Report, including the provision that career advancement and salary increments be more closely tied to teaching effectiveness.

Post-Secondary Education

The post-secondary system of education in this province is still young. Memorial University, the oldest of the post-secondary institutions, did not become a degree-granting institution until 1949, while the College of Trades and Technology, the Institute of Fisheries and Marine Technology (Marine Institute) and the vocational schools are all products of the 1960s and early 1970s; the Bay St. George Community College was established in the late 1970s. Young though these institutions may be, much of the thinking behind their activities, with some notable exceptions, is already antiquated and out of touch with the needs of the 1980s in Newfoundland. The vocational school system, locked into training trades people for the industrial expansion of the 1960s, continues to teach for occupations which are now over-supplied. Meanwhile, over 30 per cent of the adult population of the province is functionally illiterate and not enough attention is being paid to educating the population in basic reading and writing. Economic matters and entrepreneurship are not given the attention they deserve. The Marine Institute, though it aspires to become a world centre of excellence, has not yet grappled with the problem of basic education levels in the fishery. The post-secondary education system also suffers from a lack of a clear statement of goals, a well-defined division of labour among the institutions and good co-ordination of the various programmes and courses offered.

Educational policy decisions at the post-secondary level are divided among the Department of Career Development and Advanced Studies, the various educational institutions and other provincial government departments also engaged in educational programming. This includes the Department of Social Services' Job Activity Project and the Department of Development's management training programmes, along with federal government programmes provided through the Canada Employment and Immigration Commission (CEIC), the Department of Regional Industrial Expansion (DRIE), the Department of Fisheries and Oceans (DFO) and the Federal Business Development Bank (FBDB). With scarce funding and little co-ordination, money is likely to be wasted through duplication of effort and opportunities lost because co-operation could not be achieved.

Memorial University.

The only university in the province, Memorial University of Newfoundland (MUN) has progressed considerably since it was given degree-granting status in 1949. Today, degrees are conferred in the Faculties of Arts, Science, Education, Engineering, Medicine, Business Administration and the Schools of Music, Nursing and Social Work. Students in the western part of the province and Labrador can attend the Sir Wilfred Grenfell campus in Corner Brook during the first two years of their undergraduate programmes. Several research bodies have been created at MUN and an extension service developed to serve the entire Island. The growth in services has been paralleled by a growth in enrollment. Since 1975-1976, enrollment (both full-time and part-time) has increased by over 46 per cent, from 9,530 to 13,941. Funding, staff and physical space have also increased.

Although it is heartening to see enrollments increase in a post-secondary institution, we cannot ignore the fact that such an increase puts a strain on the institution. Indeed, funding has not kept pace with enrollments, space at the university has become cramped, classrooms and laboratories are used almost beyond capacity, and many instructors are over-worked. The quality of education is said to be suffering as a result. The President of MUN has on many occasions referred to the funding situation as nearing a crisis.

Despite the fact that enrollments at Memorial have increased, participation in university education in this province is the lowest in Canada; and within the province, there are rural areas which have very low rates of university education. University graduates have the lowest unemployment rate, the highest participation rate and the highest average incomes in the province. Moreover, a 'generalist' (broad) university education is currently thought to be the most appropriate training for modern industry. Newfoundland needs a strong university committed to playing a key role in the economic and social development of the province.

The Institute of Fisheries and Marine Technology.

The Newfoundland and Labrador Institute of Fisheries and Marine Technology (begun in 1964 as the College of Fisheries, Navigation, Marine Engineering and Electronics) has the mandate to conduct training programmes and research in the areas of fisheries, navigation, marine science and engineering technology. The research performance of the Institute, however, has been rather limited. More recently though, it has become involved in research on secondary fish processing.

The overall training effort of the Institute has been less than the province requires and yearly enrollments have been low. However, the recent renewed interest in training and research at the Institute, and its relocation to an expanded campus, promise to allow the Institute to play a leading role in developing Newfoundland's marine technology and expertise in the future. Despite the fact that education levels in the fishing industry are lower than those in any other industrial group, enrollment in the Institute's extension programmes has declined from 1,485 in 1971-1972 to approximately 723 in 1984-1985. Consequently, the Institute also needs to address this problem of persistently low levels of education among fishermen and other workers in the fishing industry (See Table 6.6).

College of Trades and Technology and Bay St. George Community College.

The other independent technical institutions in the province are the College of Trades and Technology in St. John's and the Bay St. George Community College in Stephenville. In contrast to the vocational schools (to be discussed below), these two colleges are quite successful in attracting students. Total enrollments in the College of Trades and Technology has risen from 4,538 students in 1980-1981 to 5,170 in 1984-1985, while the Bay St. George Community College enrollments have remained stable over the same time period.

In general, there has been considerable growth in the number of courses offered at this College over its short life. The results of the two colleges' efforts have been aided by the flexibility and autonomy both enjoy, by relatively generous funding and by the type of programming offered.

Nevertheless, some changes may be needed. The College of Trades and Technology has to limit enrollments in many courses, thereby depriving many Newfoundland students of the opportunity for wider choice in their post-secondary training. Some of the stress on the College could be relieved if the delivery of some trades courses were transferred to other locations, leaving the college freer to concentrate on technological programmes. These need special attention if this province is to advance into a post-industrial economy.

Table 6.6
Labour Force by Industry Divisions, Showing Median Years of Schooling by Age Groups

Newfoundland, 1971 and 1981

Industry Division	15+		25 — 44 years		45 — 64 years	
	1971	1981	1971	1981	1971	1981
All Industries	10.2	11.3	10.4	11.5	8.6	9.4
Primary Sector	8.5	9.8	8.7	10.3	5.7	8.0
Agriculture	8.6	10.1	8.7	10.8	7.6	9.0
Forestry	8.0	9.0	8.2	9.1	*	7.0
Fishing and Trapping	7.2	8.9	7.8	9.4	5.0	6.9
Mines (including milling), Quarries and Oil Wells	10.6	11.5	10.5	11.6	9.2	9.5
Secondary Sector	9.0	10.1	9.3	10.4	7.0	8.5
Manufacturing Industries	9.1	10.1	9.4	10.2	7.3	8.5
Construction Industry	8.9	10.2	9.2	10.7	6.9	8.5
Tertiary Sector	11.1	11.7	11.2	11.9	9.7	10.5
Transportation, Communication and Other Utilities	10.1	11.2	10.3	11.5	8.5	9.6
Trade	10.6	11.3	10.5	11.3	9.8	10.3
Finance, Insurance and Real Estate	11.8	12.2	11.8	12.2	11.5	11.6
Community, Business and Personal Services	11.7	12.2	12.3	13.2	10.4	10.8
Public Administration and Defence	11.3	12.0	11.4	12.2	9.9	10.9
Industry unspecified or undefined	9.6	10.1	9.8	10.5	8.3	8.4

* Median less than five years of schooling.

Source: Statistics Canada 13-579.

The Vocational Schools.

Of all the post-secondary institutions in the province today, the sixteen district vocational schools are the most controversial and problem-ridden. Operated directly by government, these schools have become remote from many of the needs of the communities they serve. As early as 1980 it was suggested that the system be radically altered, but little attention was paid to this by government until recently.

The vocational school system was established in the 1960s to provide 'trained tradesmen and secretaries' for the new industrial society planned by the Smallwood administration. Courses offered during the mid-1960s included carpentry, electrical work, drafting, welding, clerical work, shorthand-typing, plumbing, heavy equipment operation and motor vehicle repair. Other courses such as academic upgrading, barbering and beauty culture were also offered. Enrollment climbed steadily throughout the 1960s until, by the end of the decade, 10,023 students were registered for full- and part-time courses; 3,716 of these were enrolled full-time. Student participation continued to increase in the early 1970s, but shortly thereafter interest began to slacken (See Table 6.7), while student registration at the other post-secondary institutions continued to increase.

Table 6.7
Vocational Schools and Craft School[1] Enrollment

Newfoundland

Year	Full-Time	Part-Time
1975-1976	5,788	3,461[2]
1976-1977	5,417	n/a[3]
1977-1978	3,833	n/a
1978-1979	3,617	3,309
1979-1980	3,177	4,232
1980-1981	3,157	5,188
1981-1982	3,412	3,625
1982-1983	3,731	3,044
1983-1984	2,426	3,069
1984-1985	2,427	2,749
1985-1986	2,266	n/a

[1] The Craft School, a small St. John's school offering a nine-month Dress-making programme and a two-year Textile Crafts Studies programme, is also operated by government and is included in all statistics on the District Vocational Schools.

[2] Does not include enrollment at the vocational school in Grand Falls.

[3] n/a = not available.

Source: Department of Career Development and Advanced Studies (Division of Technical and Vocational Education Files) Government of Newfoundland and Labrador.

The downward trend in enrollment at the vocational schools has coincided with reports of high unemployment rates for their graduates. In 1983, of those surveyed from the 1982-1983 graduating class in designated trades training, only 41 per cent were employed at the time of the survey and only 19 per cent were employed in the trade for which they trained. In 1984, of the 1982 graduates from vocational and trades schools, 37 per cent were still unemployed. While no figures exist for the 1985 or 1986 graduates, it appears that the situation has not changed, judging by the numerous comments made at hearings of this Royal Commission. The difficulties experienced by graduates of the vocational schools reflect very real problems within the schools' structure. Underfunding, outmoded training, obsolete equipment, inappropriate programming and staff who are unable to change to meet new demands, all raise serious questions about the schools' future.

The problems arise partly from continued administrative control by the provincial government. Government control *per se* has not hindered the development of the schools, but the inflexible, centralized, time-consuming processes which must be followed in their operation have become a serious handicap. Numerous instances have been related to the Commission which illustrate how difficult it is to respond to community needs when working through Treasury Board (which makes decisions based on annual budgets only) and through the public-tender process, which is lengthy and inefficient. It has also been noted that the system which funnels all funds from the district vocational schools through Treasury Board to the provincial coffers does not encourage efficiency.

Adult Education

Given this province's high illiteracy and school drop-out rates, and the existing limitations within its post-secondary education system, it might be expected that adult (or 'continuing') education would be highly developed here. Unfortunately, this is not the case. Adult education may be defined as any educational activity undertaken by adults following departure from the regular education system. In Newfoundland, there are two distinct types: adult basic education (or academic upgrading to, and including, high school education) and adult continuing education (or education in every other area for adults). Courses may be job-related; they may deal with hobbies, crafts or recreation; they may be academic (that is, taken at a high school, college or university for credit), or they may be classified as education for personal development or general interest. Finally, there are courses which do not fit into any of these categories, such as courses in first-aid. Usually, adult education is a part-time endeavour.

In this province, adult education is delivered by several different agencies. The provincial government, through its Department of Career Development and Advanced Studies, offers a wide variety of programmes, primarily in academic upgrading. Such courses are offered throughout the province in over 100 communities in rented facilities including school classrooms, churches and community halls. All post-secondary institutions, including the district vocational schools, offer adult education courses, as do voluntary organizations, such as the YMCA and Red Cross. Memorial University and the Marine Institute also offer courses outside the capital city. Unions, professional associations and employers likewise provide adult education courses. A survey conducted by Statistics Canada in 1983 revealed that, in Newfoundland, employers offered approximately 28 per cent of the adult education courses taken by those surveyed; Memorial University offered the second largest number of courses (approximately 18 per cent) and voluntary organizations offered about 17 per cent. There is no overall co-ordination of these adult education efforts in the province.

The results of all these endeavours are disappointing. Table 6.8 shows that Newfoundland has a significantly lower participation rate in adult education than other Canadian provinces. Worse still, the participation rate in rural Newfoundland is even lower than the provincial rate. In fact, the majority of those who did take adult education courses in 1983 were already well-educated, were in the labour force and were already employed (See Table 6.9). Forty-one per cent of the participants took job-related courses and many of the employed and unemployed people who took courses, took them for job-related reasons; 40 per cent of the participants who were not in the labour force took courses for similar reasons.

While data on all adult education courses offered in Newfoundland over the years are not available, statistics from the Division of Adult and Continuing Education show that there have been substantial decreases in the number of courses they offer and the number of participants. Adult continuing education course participation has declined from 5,835 students in 1979-1980 to 1,731 students in 1984-1985. Part-time enrollments at all post-secondary institutions except Memorial University have also been declining (See Table 6.10). At the same time, enrollments in adult basic education have increased from 4,384 in 1979-1980 to 7,141 in 1984-1985.

Table 6.8
Rates of Participation in Adult Education

The Provinces and Canada, 1983 (Per cent)

	Rate[1]
Newfoundland	9
Nova Scotia	15
Prince Edward Island	15
New Brunswick	13
Quebec	18
Ontario	20
Manitoba	20
Saskatchewan	19
Alberta	25
British Columbia	21
Canada	19

[1] The participation rate is expressed as a percentage of the population 17 years and over, excluding full-time students.

Source: M.S. Devereaux, *One in Every Five: A Survey of Adult Education in Canada* (Statistics Canada and Department of Secretary of State, 1985), p. 4.

Table 6.9
Participation in Adult Education in 1983 by Labour Force Activity in January 1984

Newfoundland

	Number	Percentage of Total
Participants who are Employed	22,036	71
Participants who are Unemployed	2,825	9
Participants outside Labour Force	6,096	20
Total Participants	**30,957**	**100**

Source: Statistics Canada Adult Education Survey, 1984.

Table 6.10
Part-time Enrollments in Post-secondary Education

Newfoundland

Institution	1979-1980	1984-1985	Percentage Change
District Vocational Schools and Craft School	4,232	2,749	−35
Bay St. George Community College	1,729	1,147	−34
College of Trades and Technology (Extension)	1,816	1,669	−8
Marine Institute (Extension)	1,200[1]	723	−40
Memorial University	3,179	4,158	+31
Total	**12,156**	**10,446**	**−14**

[1] 1981-1982.

Source: Department of Career Development and Advanced Studies, Government of Newfoundland and Labrador; Bay St. George Community College; College of Trades and Technology; Marine Institute; Memorial University.

Overall, the statistics paint a disappointing picture of participation in adult education. No detailed studies have enquired into the reasons for this, but one study found that, among the participants surveyed, the most frequently mentioned barriers to adult education were a lack of courses that interested potential participants and/or a lack of any courses offered in the region. Non-participants most frequently stated they had no time to participate. Older people, and those who were less educated, tended to be hesitant about furthering their education. The study concluded:

> Because the principal users of adult education programs are often the better-educated, higher-income groups, adult education may now focus on social groups who already enjoy better than average access to the goods and services generated by our society. It may be claimed that adult education programs that do not reach the people who need them most tend to increase rather than decrease gaps in our society.[10]

The Commission feels this situation is unacceptable, particularly when so many people - including a large percentage of the unemployed - are dissatisfied with their current level of education.

Conclusion.

The education and training of the citizens of any modern society is crucial to its success and progress. Since Confederation in 1949, Newfoundland has achieved considerable progress in education, but we still lag behind other parts of Canada. One problem is that our education system has not yet adapted to the changing industrial needs of the 1980s. An equally important, but neglected, problem is that our education system has never been geared to the kind of society we really are, and to the kind of society we should reasonably aspire to be in the future. In keeping with this Commission's vision of a post-industrial Newfoundland, our education system needs to appeal more to people in small and remote communities, to train people for the fisheries and other local resource industries and to promote individual and community self-reliance. We shall provide several recommendations for achieving these goals in Chapter 8. We now turn to a consideration of people and places in our province which face particular difficulties in the labour market and which, therefore, require special attention from policy-makers.

II. Constraints on Employment Potential

All the issues and problems discussed throughout this Report apply to the whole population of the province. Nevertheless, the Commission has identified several groups who experience special difficulties in the labour market and in their working lives. From a societal perspective, these difficulties impede the optimal development of Newfoundland's human resource potential. This section of the Report deals with the special problems of these groups, but we would like to emphasize that we do not mean to bracket or pigeon-hole these Newfoundlanders. All the discussions and recommendations throughout the Report apply to these groups just as much as to other groups, but we have recognized that, in addition, they face barriers to full participation in meaningful work which require special consideration. Our concern in this section is with the special problems faced by Labradorians, native peoples, people living in single-industry towns, people in regional 'pockets' of high unemployment, women, youth and people with disabilities.

Labrador and Native Peoples

Most of the people who live in Labrador are not native peoples and, by the same token, there are a significant number of Micmac Indians who live on the Island. In northern Labrador, however, the difficulties of being Labradorian are inextricably intertwined with the difficulties of being native in a non-native society, and it is all but impossible to separate out the two sets of influences. The problems of Labrador are compounded by the problems of native peoples. In this section, we will first consider the situation of native peoples in northern Labrador, then that of non-native regions of Labrador, and finally that of the native peoples of island Newfoundland. These are extremely complex problems to which we cannot do full justice here. Readers wishing more information are referred to the background report on Labrador prepared for the Commission and to the excellent briefs we received from the Labrador Inuit Association, the Nascopi Montagnais Innu Association, the Newfoundland Federation of Indians, the Native Peoples Support Group of Newfoundland and Labrador, and several associations and community groups from western Labrador, North West River, Happy Valley-Goose Bay, the south-east coast and the Straits region of Labrador.

Northern Labrador.

The six communities along the northern coast of Labrador (Rigolet, Davis Inlet, Hopedale, Makkovik, Postville and Nain) as well as Sheshashit on Lake Melville, comprise the native communities of Labrador (See map, Appendix VI). There are three distinct groups of native people: Inuit (formerly called 'Eskimo' by white people), Innu (formerly called 'Indian' by white people) and Settlers (a distinct group originating from intermarriages between early white settlers and natives). Davis Inlet is populated mainly by Nascopi Innu, Sheshashit by Montagnais Innu, Hopedale and Nain by Inuit, and Rigolet, Makkovik and Postville by Settlers. The Inuit and Settler populations are mixed in their respective communities, with the Settlers recognized as full-fledged members of the Labrador Inuit Association. The Innu, who historically had less contact with white society than the Inuit, maintain a separate identity through their own Nascopi-Montagnais Innu Association. Each community also contains a number of non-natives, usually called 'outsiders'. Most outsiders are short-term residents who hold full-time well-paying jobs as teachers, nurses, RCMP officers and government officials. The seven communities are all 'designated' native communities under the Canada Newfoundland Native Peoples' Agreement. Some natives, mainly Settlers and Inuit, live in the regional service centre, Happy Valley-Goose Bay, but this town does not qualify for native agreement funding.

Before the advent of European explorers, the native peoples of Labrador lived an independent existence. They exploited the local resources of game, fowl, sea mammals and fish to provide food, clothing, fuel and shelter for themselves. They were nomadic, moving as necessary to exploit their resource base to best effect. Their material standard of living was low, but they were self-reliant, they enjoyed a distinct culture and they could take pride in their adaptation to a harsh environment.

The advent of European traders and missionaries, from the sixteenth through the nineteenth centuries, wrought some fundamental changes in native life-styles. The Inuit came under the influence of Moravian missionaries who converted them to Christianity, persuaded them to adopt a more settled pattern of village life, and taught them to fish for commercial purposes in order to help defray the costs of running the mission and providing medical and other services to the Inuit. The Innu, who lived inland, had less direct contact with the Europeans. They became trappers for the Hudson Bay Company (HBC)and other companies, trading animal pelts for various European goods. During the centuries-long period of commercial expansion, the lives and cultures of native peoples, although altered, were not fundamentally disrupted. They achieved an equilibrium with Euro-Newfoundland society.

During the twentieth century this equilibrium has been shattered. The change started in 1926 when the Moravians turned their trading operations over to the Hudson Bay Company. The HBC lowered credit advances, forcing the Inuit to intensify their trapping operations and thereby increase their dependency on European markets. The depression of the 1930s undermined these markets drastically. Native fishermen and trappers, who had come to depend upon European supplies of rifles, ammunition and consumer goods, saw their living standards deteriorate rapidly.

Societies which are peripheral in location and dependent on resources for export are vulnerable and can easily be undermined. We argued in Chapter 4 that Newfoundland outports have been facing this kind of threat since 1980. The current problems of northern Labrador communities are a dire warning that this situation must be avoided. Our recommendations for small-scale resource, manufacturing and service-sector development in Chapter 5, and the suggestions in Part III for improving the income security system, promoting rural development and encouraging small-scale enterprises are all geared to reversing an ominous trend towards economic decline in rural Newfoundland. The same strategies are required for coastal Labrador except that, for the northern coast where the state of deterioration of the local economy is much more serious, the requirements for revitalization are much more demanding.

World War II introduced the first signs of modern, urban society to coastal Labrador with the establishment of a large air force base at Goose Bay. The base was expanded during the cold war years of the 1950s and a string of radar stations built along the northern coast of Labrador. Construction work at the base and radar stations gave native Labradorians their first taste of wage labour, and American servicemen exposed them to North American material affluence, partying and alcohol. The military 'boom' of the 1950s and 1960s was then followed by 'bust' in the 1970s when the Americans withdrew.

The 1960s and 1970s also saw the opening up of western Labrador to industrial development, with the building of two large iron ore mines at Wabush and Labrador City and a massive hydroelectricity project at Churchill Falls. The latter entailed widespread flooding of good trapping and hunting lands without any prior consultation with, or later compensation for, the Innu and Settler families affected. Urban industrial growth led to a major demographic change in Labrador. The towns of Labrador City, Wabush, Churchill Falls and Happy Valley-Goose Bay become inhabited by newcomers to the region, mainly from the island of Newfoundland. Native peoples are now a minority within a predominantly white society.

Throughout the twentieth century, and particularly since Confederation in 1949, governments have come to play an increasingly dominant role in Labrador life. Although often well-meaning, they have shown little understanding of native peoples, and their policies have too often been guided by a mistaken and unrealistic view of development possibilities. With a few notable exceptions, until very recently government policies have been geared towards incorporating native peoples into an urban-industrial way of life.

This policy thrust is particularly pronounced in three areas of concern: settlement patterns, education and social services. Coastal Labrador was included in the resettlement programmes of the 1950s and 1960s. The residents of two northern Inuit communities, Nutak and Hebron, were resettled into Nain, Makkovik and Hopedale, where they formed distinct enclaves apart from the established Inuit and Settler populations. Resettlement was not only socially disruptive, it also undermined traditional economic adaptations. Whereas Hebron had been an excellent hunting and fishing area, with an abundant summer char fishery and sizeable seal harvests, the concentration of many more people into Nain meant that the fish and game resources adjacent to that community quickly became over-exploited. Although concentrating population is economically rational for large-scale manufacturing, it is economically irrational for economies dependent upon exploiting natural resources (fish, seals, caribou) which are themselves widely dispersed.

The government not only wanted to concentrate the population, it also wanted to educate them. But what does education mean for native peoples in remote northern communities? This question was given little consideration. It was simply taken for granted that native children should be taught the same curriculum as other Newfoundland children. The language of instruction would be English and, it was implicitly assumed, through their schooling native peoples would become good Newfoundland North Americans. This assumption was unfortunately very naïve. The school curriculum, its discipline, its teachers, even its language, were all foreign and essentially meaningless to most native students. Few of them finished high school and very few went on to higher education. Only recently have some tentative steps been taken to revise the curriculum, introduce Inuttut language and train native people as teacher aids. But school drop-out rates are still extremely high (85 per cent at Nain and 86 per cent at Rigolet in 1981), the turnover rate of teaching staff is also high involving a replacement of most staff every two years and there are very few native teachers.

Thirdly, and more positively, government programmes have attempted to improve social services to native communities. Thanks mainly to federal funding through a series of federal-provincial native peoples' agreements, millions of dollars have been invested in upgrading the physical infrastructure and housing stock of native communities. This has contributed to improving the living standards of many natives, although some communities still lack adequate water and sewer systems. The various projects have been administered by the Northern Development Division of the provincial Department of Rural, Agricultural and Northern Development (RAND). RAND administers its projects as conventional government contracts under the *Public Tender Act.* This means that most of the work is contracted out to island Newfoundland firms who use designs suited to more southern climates and also bring in their own work-forces for most of the construction. Native peoples gain better houses and amenities but may find, for example, that they cannot afford to heat their new houses adequately or that the water systems freeze up in mid-winter. More importantly, they do not gain employment or improve their skills through participating themselves in the process of creating their own household wealth. This is in sharp contrast to the rest of outport Newfoundland, where building and improving one's own house is an important symbol of self-reliance. Native peoples should be encouraged to use local materials, such as locally made cement blocks, and have access to appropriate training through an outreach programme of the Labrador community college.

Native people do continue to produce a lot of their own 'country food', but even this activity, which requires investments of capital in snowmobiles, fuel and ammunition has been undermined as cash has become scarcer in recent years. As was demonstrated in Chapter 4, cash income is crucial to successful household production in outport Newfoundland. Since the main stores in the native communities are run by government agents, native people also miss out on an opportunity to develop the business and entrepreneurial skills typical of store keepers in outport Newfoundland. The viable outport, not the big city, is the model to which native communities should aspire.

Native peoples in Labrador have come to rely heavily upon government transfer payments. Less skilled than many Newfoundland communities at getting make-work projects and unemployment insurance (UI), native peoples' transfers more often take the form of social assistance payments. They use their cash to buy food and clothing from the local government store and to purchase consumer durables such as snowmobiles and television sets when they can afford them. Native people like their taste of the consumer society but lack the wherewithal to enjoy its full fruits.

The provincial government has tried to help improve economic conditions by investing directly in the fishing industry and operating fish plants at Makkovik and Nain. These provide work and also qualify many people for UI. Makkovik, a Settler community with fewer people to support than Nain, is less dependent on social assistance. The fish plants have not, however, been profitable and the government tends to run them as social programmes rather than as business enterprises.

The result of all these twentieth century changes is that the native peoples of Labrador find themselves in a sorry situation. Only a remnant is left of their pre-contact civilization and culture. Their successful adaptation to commercial capitalist expansion was rapidly undermined during this century and they have not been incorporated into urban-industrial society. They do not even enjoy the kind of tenacious adaptation that characterizes most coastal villages of island Newfoundland and southern Labrador.

Instead, native Labradorians find themselves in a kind of economic and social vacuum which causes cultural degradation and all kinds of personal and family troubles. Since 1980, conditions have deteriorated further as poor fish catches, outdated processing plants and the decline of the seal hunt have meant that even fewer people than in the past now qualify for UI. The lack of cash means that many people cannot afford fuel for their snowmobiles and ammunition for their rifles, so that the production of country food and the hauling of firewood for the household's own use have also been further undermined. Today, to be Inuit or Innu generally means to be poor and dependent on social assistance; to live from day to day stuck in a community because with little cash income it is virtually impossible to hunt or fish; to have a low level of education and very limited prospects for finding wage-paying work; to suffer from alcohol abuse, poor health, strained family relations and low self-esteem. People who were once accustomed to being self employed as harvesters, and who could rely on their environmental skills and their ability to secure resources which were of value in the upkeep of their families, now find themselves inactive and 'unemployed', demoralized and impoverished, in a way they never before experienced.

The statistics on social problems in northern Labrador are a provincial and national disgrace. About 30 to 40 per cent of the population of Nain, 60 to 70 per cent of the population of Hopedale and virtually the entire populations of Davis Inlet and Sheshashit, depend on social assistance payments for most of the year. Alcoholism and the crimes associated with it are serious problems, and the incidence of tuberculosis is increasing at an alarming rate. Infant mortality rates and mortality rates due to accidental deaths far exceed the Canadian average and the national averages for native peoples. Most alarming of all, despite the fact that Newfoundland as a whole has the lowest suicide rate in Canada, the rate of suicide in northern Labrador is over three times the rate for native populations nationally and over five times the average rate for the Canadian population as a whole; for those in the 15-24 years age group the rate is four times higher than that for the northern Labrador adult population.

What is to be done about this deplorable situation? Consistent with the main theme of this Report, is the Commission's recommendation that the native peoples of coastal Labrador be encouraged to become more self-reliant. Paternalistic policies and programmes, however well-meaning and however high-spending, are clearly not working. Governments should change their orientation from providing things for native people – houses, water and sewer systems, fish plants, stores, school curricula – to supporting native people in their efforts to provide things for themselves. The most positive development in the northern communities in the past decade has been the growth of several fledgling organizations through which the Inuit and Innu have been attempting to have more say in their own development. The land claims issue, through which native people are seeking a measure of self-government, is the best known example of that. Other examples include the Torngat Fish Producers Co-operative Society's attempt to gain control over the fishery in the region; Labrador Legal Services' interest in having more native people hired within the criminal justice system; the Labrador Friendship Centre's efforts to assist in the promotion and development of native arts, crafts and education; and the Labrador Native Women's Association's concerns for the paucity of employment opportunities for native women.

Government's attitude towards such organizations has been ambivalent: recognition of the problems on the one hand, but reluctance to recognize native claims to special consideration or to relinquish a measure of government control over native peoples' affairs, on the other. The problems are too serious, however, to excuse this reluctance. The Newfoundland government should come to grips with native issues, address the land claims dispute, foster the self-determination of native peoples and encourage them in their quest for greater self-reliance.

In the meantime, basic income security for native people must be improved. The Commission was appalled to learn of families in our northernmost communities who cannot afford to heat their homes adequately in the dead of winter and who must sometimes sleep huddled up together to avoid freezing. Pending the implementation of a revised income security system along the lines recommended in Chapter 12 of this Report, UI payments for fishermen in coastal Labrador should be made available from October through June, and social assistance payments, including particularly the winter fuel allowance, should be increased.

South East Labrador and the Straits.

The villages along the south-east coast of Labrador and the Labrador side of the Strait of Belle Isle bear more resemblance to the outports on the island of Newfoundland than they do to the communities on the northern coast of Labrador. They do, however, face certain special difficulties compared to their Island counterparts. Their fishing season is shorter, which makes it harder both to make a good living from fishing and to qualify for UI. The Commission's recommendations for a revised income security system would deal with the latter problem, but the whole issue of fisheries development in Labrador - an issue dealt with by the Kirby Task Force but not acted upon by government - would need to be a priority of the Labrador-based Regional Development Board that we will be recommending in Chapter 10 below. The Board should work closely with such locally based organizations as the Labrador Fishermen's Union Shrimp Company and the Red Bay Producers Co-operative Society. The Commission is not convinced that the Northern Fisheries Development Corporation, an ill-defined and poorly understood concept, is the answer to the fisheries problem of northern Labrador and other regions north of 50 degrees North. Monies are, however, needed for fisheries development. These would be best spent through the Labrador and western Newfoundland Regional Development Boards. The Commission was impressed to learn of several attempts at greater self-reliance in this region of the province: for example, the healthy growth of a locally based credit union at L'Anse au Loup following the withdrawal of the Bank of Montreal from the community. This is a fine example of the kind of regional strength that we should build upon.

Other special needs along the Labrador coast north of the Strait are in transportation, communications and education. This part of the province still lacks a road system (although it has a well-developed snowmobile trail in winter), making it dependent upon the CN coastal boat service and Labrador air services. These systems need to be maintained and improved at public expense and the road network extended north from Red Bay as funding allows. The communications and education needs of this region should be given special attention in the implementation of the recommendations in Part III of this Report. Coastal Labrador as far north as Cartwright should be viewed as an integral part of rural Newfoundland, requiring special consideration in the areas of transportation, communications, education, income security and fisheries development.

The Towns of Labrador.
Western Labrador is the location of three modern resource towns: Labrador City, Wabush and Churchill Falls. Labrador City and Wabush are both mining towns where two-thirds of Canada's iron ore is produced and from which it is sent, either in a raw or semi-processed form, to Sept-Isles in Quebec. Thence it is shipped to foreign markets, mainly in the United States. The Iron Ore Company of Canada (IOCC) and Wabush Mines are both owned by American and mainland Canadian steel producers. Both in their construction and operations phases, they have been major employers of Newfoundlanders. But other potential benefits, especially employment in whatever further processing might be feasible along with business opportunities in making and supplying materials for the companies' operations, have not been realized. All resource developers in the province should be encouraged to contribute more to the provincial economy than just construction and operations employment.

To expedite the rapid growth of their enterprises, the Iron Ore Company and Wabush Mines established modern towns in the wilderness of western Labrador. Newfoundland families moved there to enjoy high-paying, apparently secure jobs. Although most originally intended to settle only temporarily, many have stayed, raised their families in western Labrador and developed a sense of community identity. The severe cut-back in employment at the mines in the early 1980s (documented in Chapter 5) came as a rude shock to most residents. Many people experienced unemployment for the first time.

Labrador City and Wabush are both modern towns with their own town councils, chambers of commerce, labour unions, recreation centres and all the trappings of modern Canadian urban life. But they suffer from two features characteristic of remote mining communities: isolation and economic insecurity. Most of the briefs submitted to the Commission in western Labrador addressed these two issues. The concern at the forefront of everyone's mind is the trans-Labrador highway. The building of a highway from Happy Valley-Goose Bay through Churchill Falls to Labrador City-Wabush would be the single most important project whereby the Newfoundland and Canadian governments could affirm their support for the people of western Labrador. This issue is also the one mentioned most by people from Churchill Falls, as well as by many people in Happy Valley-Goose Bay. The Innu, however, who fear further disruption to their trapping and hunting activities, express concerns about the highway.

Churchill Falls differs from Labrador City and Wabush in two ways. First, since its economic base is a renewable resource industry (hydroelectricity), it is more secure economically. Second, since the operations phase of the Churchill Falls hydro project is highly capital intensive, the population is smaller with virtually no male unemployment. Many women who would like to work, however, cannot find jobs. Unemployment is more serious in Labrador City and Wabush, and the long-term viability of both these communities is much more tenuous. Eventually, either the markets or the ore itself will disappear. Labrador City and Wabush both suffer from the problems of one industry non-renewable resource towns, which are discussed in a separate section below. Efforts need to begin now both to diversify the region's economy and to devise a contingency plan for compensating, retraining and relocating people when the mines cease operations.

Happy Valley-Goose Bay and North West River are smaller towns located in central Labrador. They came into being as service towns: Happy Valley to service the military base at Goose Bay and North West River as first, a commercial trading post and later, a centre for medical and educational services (operated by the International Grenfell Association) for the north coast of Labrador. Happy Valley-Goose Bay went through a typical boom-bust cycle as the military base expanded in the fifties and sixties, only to contract rapidly when the Americans pulled out in the seventies. This created a serious unemployment problem which persists today, but the shock has been cushioned somewhat by the town's becoming the major retail, transportation and government service centre for coastal Labrador. Many businesspersons and workers in the town hope for a new boom when the military importance of the region increases again as a site for low-level flight training and possibly even a large NATO base. The Innu and some citizens in the town oppose low-level flying because of its disruption of native resource harvesting activities and because they oppose the further militarization of Labrador. The Commission is concerned that, should the NATO training facility materialize, it should be much better planned and implemented than such schemes have been in the past. In close consultation with town councils, development associations and native groups, the government should ensure that local business and employment opportunities are maximized and that further disruptions to native resource harvesting and cultural integrity are minimized.

North West River is a predominantly white community across the river from Sheshashit. It has recently suffered the loss of its two main service industries, a boarding school for coastal children and a hospital (See Chapter 5). This has caused a severe unemployment problem. A survey conducted by the town council in 1985 found that, of 265 eligible workers, 148 were employed and 107 unemployed, giving an unofficial unemployment rate of 40 per cent. In the words of a brief from the community:

> Employment prospects are nearly non-existent. People have just about given up hope in finding full-time gainful employment. The most many have to look forward to is securing short-term work on some type of make work project, which is usually a labour type job.

The people of North West River are locked into a difficult situation. They do not qualify for funding under the Native Peoples' Agreement, their students are not permitted to attend a job readiness training programme designed for Sheshashit just across the river, and they can hardly afford to send their children to Happy Valley-Goose Bay or St. John's for higher education courses that might qualify them for job opportunities outside the local area.

At the same time, North West River is a proud community with many educated and skilled people who have been struggling to put the town back on its feet. For example, this community has initiated a resource technician school using government funding, and has set up the Salmon Enhancement Association of Labrador which put together an impressive submission to the Commission for salmon enhancement in 23 Labrador rivers. This project would create 44 person-years of direct employment and, by greatly increasing salmon stocks, would indirectly improve employment prospects for Labrador fishermen. It reflects the kind of community-level initiative that this Commission endorses, and that would be a prime candidate for support from a regional development fund such as we recommend in Chapter 10 of this Report.

Native People on the Island of Newfoundland.

The native people of island Newfoundland comprise approximately 2,000 Micmac Indians. Just over one-quarter of them live in the community of Conne River. The Conne River Indians have gone their separate way from the rest of the Newfoundland Micmac. In 1981 the Canada–Newfoundland Native Peoples of Conne River Agreement was signed. This Agreement, funded mainly by the federal government, allowed for $5,052,000 to be spent in the community over a five-year period. Unlike the native peoples of Labrador, the Conne River Indian Band managed to gain direct administrative responsibility for its Agreement's budget.

Although it is too early to be certain, the town of Conne River seems to be having more to show for the money put into it than do the native communities of Labrador. By gaining greater control over the projects sponsored, and over the Agreement's budget, the programmes started in Conne River seem to be having an effect in raising living standards and improving morale. A number of community service programmes have been put into place. For example, wood for fuel is provided free of charge to the households of elderly or disabled persons and drives and walkways are cleared to all houses.

The employment picture is also brighter in Conne River than in other native communities. Although the unemployment rate is high in the winter, there are enough community service and make-work projects to ensure that most working people qualify for UI benefits. It is particularly noteworthy that in Conne River the vast majority of labour hired to work on housing, water and sewer projects is local. Since the band does its own hiring, it is not constrained by the *Public Tender Act*, unlike the situation in coastal Labrador where most such work goes to outsiders. In 1985, the Conne River Indian Band achieved registered Indian status under the federal *Indian Act*. Even though Conne River has not been designated a 'reserve,' and funding arrangements with Ottawa have not been finalized, registration will give the local Band Council a considerable degree of autonomy in matters like education and economic development. Conne River is one example of how native people have improved their own lot, with generous government support.

The rest of the Micmac population lives in nine communities located in the western, central and northern parts of the Island. These Micmac are not covered by a native peoples' agreement and, except for a small Secretary of State Department's operating grant for their governing body (the Federation of Newfoundland Indians), they enjoy no special programmes tailored to their needs. Those needs are great. According to a brief submitted to the Commission by the Federation, only 7.7 per cent of the Indian labour force hold full-time jobs and the average level of education is only Grade Eight. Fully 95 per cent of the Indians' houses fail to meet the minimum standards of Canada's National Building Code – 85 per cent are heated by wood stoves only and 45 per cent lack any kind of sewage.

The employment situation for these Micmac has worsened in recent years. In the past, many of them worked as guides for tourists who were on hunting and trapping trips to the province, and these sportspeople spent money in the native communities. The advent of the modern fishing and hunting camp industry – which flies clients directly to choice, fully serviced wilderness locations – has put an end to this because the Indians cannot compete. Modern game laws have also restricted the Indians' chances of contributing directly to household production from their traditional pursuits. The UI make-work system, which has become common throughout rural Newfoundland, now dominates the Micmac economy. The Commission received its most eloquent critique of this system from the Indian leaders who appeared before it:

> Since the early seventies we have voiced our will to be our own Keepers. We have the confidence that, given the opportunity to have greater input in planning our destiny, we can help to eliminate many of the present problems. Some movement has been made in that we have been given recognition under special programming and we have been recipients of these programmes. I refer to Canada Works, Young Canada Works and Provincial Social Make-Work Projects. We are not totally critical of these programmes. They have meant survival. However, it would be less than honest if we did not point out to you that we can not plan a future for our children if the scope of the programmes only addresses the immediate needs of the recipient. Unless revenue can be generated, enabling people to plan without total dependency on government, we continue to be caught in a vicious circle of Canada Works, U.I.C., Welfare, back to Make-Work Projects with the main objective of the recipient being ten U.I.C. stamps. This is probably by far our number one social problem of today.

These Indian leaders espouse a different vision, not only for their people, but for their region of Newfoundland as a whole:

> ...it's very frustrating because there is potential for development in the Bay St. George area in the south western part of this island. There's approximately 50,000 people, we've got a geography of about 10,000 square miles, we've got fourteen of the best salmon rivers anywhere in eastern Canada, we've got about 250,000 acres of forest land, we've got about 15,000 acres of prime agricultural land and God knows how much peat moss out there. We've got two ports for shipping and an airport that is equivalent to an international one, we've got a port of entry in Port-aux-Basques, we've got the trans Canada highway, we've got a railway, and we've got 92 per cent unemployment. There's something wrong.

The Commission agrees that "there's something wrong", and much of our Report addresses this issue. Many of the recommendations we have made about improving employment conditions in rural Newfoundland should help the Micmac people as well as the majority white population. But the problems of the native peoples of both the island of Newfoundland and of Labrador are particularly severe. These people require additional programmes and policy initiatives geared to their special needs.

Conclusion

The native peoples of this province, and the residents of Labrador, have special employment and low-income problems which must be addressed directly. Many of the recommendations made throughout this Report address these problems insofar as they are of the same nature as the problems of other Newfoundlanders. In addition, we make the following recommendations geared to the specific needs of Labradorians and native peoples:

Recommendations

The provincial and federal governments should enter into land claims negotiations with the native peoples of Newfoundland with a view to achieving a just settlement which would lay a sound foundation for greater self-determination and self-reliance for native peoples.

Native peoples' agreements should be reached with all the native peoples of Newfoundland and Labrador. The main responsibility for administering these agreements and for allocating funds should rest with native organizations and native people themselves, with governments playing an advisory and supportive role.

Through the native peoples' agreements, native peoples should be given the opportunity to develop business and entrepreneurial skills, and should be given access to start-up capital for establishing and operating small private businesses, community development corporations and producers' co-operatives.

School curricula for native children should be revised so as to place much greater emphasis upon native culture and language and to provide instruction in those life skills suitable to a rural life-style. This should be done in close consultation with native leaders and experts; priority should be given to training more native teachers.

Training programmes should be designed in consultation with, and offered to, native peoples for occupations well-attuned to their traditional life-styles, such as wildlife and conservation officers. Training programmes should be available, within the communities, for self-help skills such as carpentry, plumbing and small engine repair.

Newfoundlanders, such as native people, who depend upon hunting and trapping as their main source of livelihood, should be given special consideration in the issuing of game licences; the provincial government, in consultation with native groups, should develop a comprehensive policy for subsistence, commercial and sports hunting.

The provincial and federal governments, in consultation with local development associations, native associations and the Fishermen's Union, should institute a comprehensive fisheries development policy for coastal Labrador. This policy should incorporate the principle of local ownership and control of the fish plants along the coast.

Pending the implementation of a new income security system, unemployment insurance benefits should be made available to Labrador fishermen from October through June. Social assistance payments should be increased; in particular, the winter fuel allowance should be raised.

Government should proceed with the building of the trans-Labrador highway and the extension of the road system along coastal Labrador.

The towns of western Labrador should be supported in their attempts to diversify their economies, and contingency planning should begin now for the eventual closing down of the iron ore mines in western Labrador.

The resource technicians' course, and similar programmes at North West River, should be expanded as a branch operation of the Labrador Community College, and groups such as the Salmon Enhancement Association of Labrador should be supported in their efforts.

If a NATO training facility is to be established at Happy Valley-Goose Bay, it should be planned carefully so as to maximize local employment and business opportunities. If low level flying is to continue, it should be routed so as to minimize disruption of the local population.

Regional Pockets of Unemployment

The Labour Force Survey statistics for June 1986 reveal that the official unemployment rate for Newfoundland stands at 18.2 per cent and the rates for Statistics Canada's four economic regions of the province range from 17.2 per cent (Avalon) to 19.4 per cent (West Coast-Labrador). Table 6.11 shows that labour force statistics collected at the provincial level mask regional variations (which are sometimes as great as nearly seven percentage points), and we know that the same kind of variation must also be occurring at the sub-regional level.[11] The 1981 *Census* does drop to the level of the community but, given the 1982 recession, those data are now out of date. Occasional community-level studies and surveys, such as those presented at the public hearings, confirm the need for more detailed sub-regional investigation; for example, coastal Labrador is a world apart from western Labrador. Moreover, the Commission's terms of reference explicitly asked us to "give special attention to . . . areas of persistent high unemployment".

Thus, some of our efforts, we felt, had to be directed towards what we call 'regional pockets' of high unemployment. Regional pockets are small regions, or even communities, whose unemployment characteristics are abnormally high compared to the surrounding region. We also recognize that regional pockets of high employment could also exist and, given that the Commission's emphasis is also on employment, this phenomenon must not be ignored either. The difficulty is to identify where important regional pockets exist, particularly given the lack of current sub-regional data. It is commonly known that certain areas of the province exhibit the kinds of anomalies in which we are interested: the Port au Port Peninsula, the north-east coast of Labrador, the Strait of Belle Isle, Buchans and Bell Island, for example, we know fit as regional pockets of high unemployment in comparison to the regions within which they are situated; St. John's,

Table 6.11
Unadjusted Unemployment Rates for Newfoundland and its Regions

June 1985, May 1986 and June 1986

Region	June 1985 (Per cent)	Variance From Provincial Average	May 1986 (Per cent)	Variance From Provincial Average	June 1986 (Per cent)	Variance From Provincial Average	Per cent Change[1]
Newfoundland	21.4	—	19.9	—	18.2	—	−3.2
Avalon Peninsula	17.8	−3.6	18.0	−1.9	17.2	−1.0	−0.6
Burin - South Coast	24.4	+3.0	15.5	−4.4	18.5	+0.3	−5.9
West Coast, Northern Peninsula & Labrador	25.9	+4.5	22.4	+2.5	19.4	+1.2	−6.5
East and North East Coast	22.5	+1.1	23.7	+3.8	19.1	+0.9	−3.4
St. John's CMA	14.6	−6.8	14.5	−5.4	14.7	−3.5	+0.1

[1] June 1985 to June 1986.

Source: Statistics Canada 71-001.

Catalina, the area around Port au Choix and Churchill Falls may be considered as regional pockets of high employment, for reasons most of us can explain.

There have been practically no major systematic research studies of regional and community labour markets, the only exception of note being a 1983 Community Services Council (CSC) study.[12] Given that the CSC's work highlighted the importance of understanding labour-market dynamics and behaviours at the local level we undertook, as part of our regional pockets research, an employment and unemployment survey of selected Newfoundland communities.[13] The Commission also studied certain regional pockets from a broader perspective: coastal Labrador, Happy Valley-Goose Bay, Buchans, the Codroy Valley and poorer parts of St. John's. This research is discussed in other parts of this chapter.

Our focus here is on an employment and unemployment survey of nine selected Newfoundland communities, hereafter referred to as 'the regional pockets survey'. Eight of these were chosen because we had identified them to be regional pockets of high unemployment based on census data and other studies; these are Lumsden, St. Albans, Flowers Cove, Glenwood,[14] L'Anse au Loup, Lawn, Ferryland and the Codroy Valley.[15] The town of Catalina was also included because the presence of the large fish plant provides a stable source of employment for much of the community. Hence, we expect Catalina to display characteristics of a regional pocket of relatively high employment.

Our survey is naturally biased towards areas of high unemployment. Therefore, we make no claim that any of these communities are 'representative' in any way. What we wish to do is to illustrate how conditions in regional pockets such as these cannot be revealed by provincial- or regional-level studies and data. Table 6.12 shows the unemployment rates for our nine communities as given in the 1981 *Census*, compared to the official unemployment rates calculated from our survey data and the appropriate regional unemployment rates published from Labour Force Survey data for the same month in which our survey was conducted (February 1986). Table 6.12 displays large differences in unemployment rates between the *Census* and our survey, due partly to the fact that the former was conducted in June month, while the latter was conducted in one of the worst unemployment months of the year. The official unemployment rates for seven of the nine communities were at least double the rate for the region in which our pockets are located; five of the community rates were more than three times the regional rate. We should point out, however, that the eight communities and one region surveyed each have population totals amounting to only a small proportion of the total population of the Statistics Canada regions in which they are situated.

Table 6.13 shows basic labour force characteristics for the nine communities and for the province as a whole for the same period. For all communities except Lumsden, residents' participation in the labour force was high, particularly considering the provincial average. Yet, for all those communities except Glenwood and Catalina, the very low employment-to-population ratios and high unemployment rates indicate that people's participation in the labour force was probably associated more with unemployment than with employment, at least for the month in which the survey was conducted. In most of these communities, the participation rate, employment-to-population ratio and the unemployment rate for women were lower than those for men. This pattern is consistent with aggregated data for the province and its regions. What Table 6.13 emphasizes,

Table 6.12
Unemployment Rate Comparisons for Selected Communities

Community	Commission Unemployment Rate[1]	1981 Census Unemployment Rate	Regional Unemployment Rate[1]	Designated Region[2]
Catalina[3]	17	12	17.2	1
Lumsden	59	21	19.1	4
St. Alban's	56	28	18.5	2
Flower's Cove	50	17	19.4	3
Glenwood[4]	34	22	19.1	4
L'Anse au Loup	59	38	19.4	3
Lawn	58	41	18.5	2
Ferryland	55	31	17.2	1
Codroy Valley	46	25[5]	19.4	3

[1] February 1986

[2] Designated Statistics Canada Region.

[3] excludes Little Catalina

[4] includes Appleton

[5] 1981 *Census* is for Census Subdivision 4A which includes South Branch. Commission's survey excludes South Branch.

Source: Research Associates, "Unemployment Survey: Selected Newfoundland Communities", Background Report to the Royal Commission on Employment and Unemployment, 1986; *Census*; Statistics Canada 71-001.

Table 6.13
Labour Force Characteristics for Selected Communities

February 1986 (Per cent)

	Participation Rate			Employment to Population Ratio			Unemployment Rate		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Catalina	61	65	57	51	55	47	17	16	17
Lumsden	39	39	39	16	11	21	59	72	46
St. Alban's	55	64	44	24	24	24	56	63	45
Flower's Cove	66	68	64	33	40	28	50	42	57
Glenwood	64	73	54	42	43	41	34	42	24
L'Anse au Loup	59	63	54	24	28	20	59	56	64
Lawn	52	61	45	22	23	21	58	63	53
Ferryland	51	56	46	23	24	22	55	58	52
Codroy Valley	51	61	41	27	29	26	46	52	37
Newfoundland	49	58	41	39	46	32	21	21	21

Source: Research Associates, "Unemployment Survey: Selected Newfoundland Communities", Background Report to the Royal Commission on Employment and Unemployment, 1986; Statistics Canada 71-001.

Table 6.14
Various Unemployment Rates for Selected Communities

(Per cent)

	Unemployment Rate						
Community	R1	R2	R3	R4	R5	R6	R7
Catalina	17	12	22	23	28	23	19
Lumsden	59	41	70	68	50	45	46
St. Alban's	56	41	60	65	54	50	27
Flower's Cove	50	45	57	56	48	41	45
Glenwood	34	20	40	46	35	32	25
L'Anse au Loup	59	44	67	71	54	51	54
Lawn	58	41	62	71	54	51	39
Ferryland	55	42	62	64	54	48	46
Codroy Valley	46	34	51	53	45	40	27

R1 — Rate calculated from the survey using the official Statistics Canada measure.
R2 — Rate based on people who have been unemployed for 14 or more weeks.
R3 — Official rate plus the hidden unemployed.
R4 — Self-ascribed rate.
R5 — Rate calculated by dividing number of self-ascribed weeks unemployed (looking and not looking) by total number of weeks in the labour force.
R6 — Rate calculated by dividing total number of weeks looking for work by the sum of the number of weeks working and the number of weeks looking for work.
R7 — Rate based on proportion of population receiving UI benefits.

Source: Research Associates, "Unemployment Survey: Selected Newfoundland Communities," Background Report to the Royal Commission on Employment and Unemployment, 1986.

however, is the magnitude of the variations in the labour force characteristics of men and women at the community level.

Table 6.14 shows a set of unemployment rates derived from our survey. Adding the hidden unemployed to the officially unemployed raises community 'unemployment' rates considerably. In Chapter 3, we suggested that if the province's hidden unemployed were added to those officially unemployed, the provincial unemployment rate would exceed 30 per cent. Our survey shows that, except for Catalina, communities exhibited 'hidden' unemployment rates well in excess of the provincial average. In Lumsden, for example, the inclusion of the hidden unemployed caused the unemployment rate to reach 70 per cent, the male rate being over 80 per cent, while the female rate was 58 per cent.

We also calculated an unemployment rate based on people's own perceptions of their labour-market status. The self-ascribed rate shown in Table 6.14 represents individuals who considered themselves to be unemployed regardless of official designations of labour force status. For most communities, the self-ascribed rate (R4) was almost identical to the 'hidden unemployed' rate (R3), thus providing further justification for including the hidden unemployed in any statistical measure of unemployment. In L'Anse au Loup and Lawn, 71 per cent of residents surveyed considered themselves to be unemployed compared to our calculations of the 'official' unemployment rates of 59 per cent and 58 per cent respectively. Most of the discrepancy between the derived official rate and the self-ascribed rate is accounted for by people who were out of the labour force, had not actively looked for work in the last six months (because they believed no work to be available) and yet desired work. Table 6.14 shows a fair degree of internal consistency across all unemployment measures: by whatever measure, the communities displayed very high levels of unemployment.

The survey also confirms our earlier discussion of work patterns in rural Newfoundland. Most people depend upon seasonal employment, with the average number of weeks employed ranging from 14.8 weeks for St. Albans to 25.4 weeks for Catalina. It is interesting that Catalina, home of a large fish plant, while appearing 'healthier' than the other communities was not as different as one might have expected. In each place over 50 per cent of all households earned less than $20,000 per year from employment and transfers.

As Table 6.15 shows, most of those who were employed felt that their skills were being well used. The occupational and industrial classification of respondents surveyed showed that a high proportion of those employed at the time of the survey, particularly in the high unemployment pockets, were managerial and professional people: teachers, doctors and government employees. Moreover, men consistently recorded longer periods of full-time employment than women, but shorter periods for part-time work. In most communities, about half of those surveyed believed there were no jobs available. Correspondingly, a large proportion felt that looking for a job was a waste of time. These points are consistent with our earlier discussion of the 'hidden unemployed' and are reflected in those unemployment rates which include hidden unemployed (See Table 6.14). The majority of those who were either unemployed or out of the labour force said they would take a job if one were available in the community, but less than half expressed interest in taking a job if it became available 100 miles away (See Table 6.16).

Our survey shows that social assistance is relatively unimportant in rural Newfoundland. Even in the Codroy Valley, the community with the highest dependence on social assistance, only 12 out of 208 respondents were receiving these benefits. **Unemployment insurance is the main source of income support.** In L'Anse au Loup, the community showing the greatest dependence, 54 per cent of those surveyed were receiving these benefits. Finally, the survey confirms that there are regional pockets of high unemployment in Newfoundland where labour-market conditions are more restrictive than provincial and regional statistics show. The communities investigated appear to have adapted to very low household incomes and are highly dependent upon UI.

The Commission does not propose any recommendations specific to these communities, as they appear to be mainly extreme cases of the problems that plague most of rural Newfoundland today. The measures that we recommended in Chapter 5 for the different sectors of the economy, and that we will recommend in Part III, apply also to these regional pockets. Through improved education, changes in the income security system to encourage people to work, new support for small enterprise along with a new thrust for community development, such communities can be made more self-reliant, allowing the level of employment to rise. We

Table 6.15
Results of Survey Questions Dealing with Attitudes Toward Underemployment, Job Availability and Job Search Activities, by Community

Per cent of Responses

	Catalina	Lumsden	St. Alban's	Flower's Cove	Glenwood	L'Anse au Loup	Lawn	Ferryland	Codroy Valley
Use of Skills[1]									
Skills Well Used	68	75	78	96	84	78	79	67	80
Skills Not Fully Used	17	10	11	4	10	13	4	7	11
Very Few Skills Used	13	10	9	0	4	4	13	19	6
Don't Know/Not Stated	2	5	2	0	3	4	4	7	4
	100	100	100	100	100	100	100	100	100
Job Availability[2]									
No Jobs Available	37	72	45	77	43	53	40	46	49
Few Jobs Available	37	25	55	23	46	42	53	46	40
Some Jobs Available	5	3	0	0	11	5	7	8	9
A Lot of Jobs Available	21	0	0	0	0	0	0	0	2
	100	100	100	100	100	100	100	100	100
Job Search[3]									
Waste of Time to Look	20	50	57	70	24	65	52	44	41
Eventually Find	67	41	35	26	67	27	43	56	50
Don't Know/Not Stated	13	9	9	4	10	8	5	0	9
	100	100	100	100	100	100	100	100	100

[1] The question on how respondents felt about their job was asked of only those who were currently employed.

[2] The question on how respondents felt about the availability of jobs in the local area were asked of only the unemployed.

[3] The question on how respondents felt about looking for a job was asked only of the unemployed.

Note: Totals may be subject to rounding error.

Source: Research Associates, "Unemployment Survey: Selected Newfoundland Communities," Background Report to the Royal Commission on Employment and Unemployment, 1986.

Table 6.16
Results of Survey Questions Dealing with Attitudes Toward Taking Jobs, and with Receiving Assistance, by Community

Per cent of Responses

	Catalina	Lumsden	St. Alban's	Flower's Cove	Glenwood	L'Anse au Loup	Lawn	Ferryland	Codroy Valley
Would Take Job in Community[1]									
Yes	60	77	75	76	77	85	83	76	66
No	36	21	22	24	20	15	14	22	32
Don't Know/Not Stated	4	2	3	0	3	0	3	2	2
Would Take Job 100 Miles[1]									
Yes	27	43	39	25	38	59	38	49	32
No	64	45	55	51	54	33	47	46	60
Don't Know/Not Stated	8	12	6	25	8	8	15	5	9
Receiving UI[2]									
Yes	19	46	27	45	25	54	39	46	27
No	81	54	73	55	75	46	61	54	73
Receiving Social Assistance[2]									
Yes	3	5	5	0	4	0	2	4	6
No	97	95	95	100	96	100	98	96	94

[1] Questions on whether respondents would take a job that became available in the local area, or 100 miles away from home, were asked of the unemployed and those not in the labour force.

[2] Questions on whether respondents were receiving UI benefits or Social Assistance were asked of all people surveyed.

Source: Research Associates, "Unemployment Survey: Selected Newfoundland Communities", Background Report to the Royal Commission on Employment and Unemployment, 1986.

would suggest that the province's Regional Development Associations, and the Regional Boards to be recommended in Chapter 10, pay particular attention to pockets of very high unemployment in their regions.

Single-Industry Towns

In addition to regional pockets which exhibit the general problems of rural Newfoundland in extreme form, there are other communities in Newfoundland which require special attention for rather different reasons. The highest unemployment rates and most serious unemployment-related problems in the province are to be found in those communities where the economic base was a single resource industry which has withdrawn from the community. With the exception of St. John's and some of the regional service centres, Newfoundland is essentially a society of single-industry resource-based communities. The great majority of its communities are based upon the fisheries. Although notoriously uncertain, the fisheries are at least a renewable resource industry. Even in bad times, people live in the hope that catch rates and markets will improve, making for better times ahead. Properly managed, the fisheries can sustain these Newfoundland communities indefinitely into the future. There is something timeless about the Newfoundland outport.

In sharp contrast to this are Newfoundland's mining towns. Since concerted efforts were first made to diversify Newfoundland's economy in the late nineteenth century, mining has gradually become a major industry, contributing some 6.9 per cent of the value of Newfoundland's gross domestic product in 1985. Minerals, however, are a non-renewable resource. The economic demise of a town built solely to support the exploitation of a mine is predetermined from the moment the decision is made to build it. Unfortunately, however, in Newfoundland's history, this fact has not been taken sufficiently into account when planning the growth of mining towns. A common pattern has emerged: an initial boom period as the mine and the townsite are constructed; a prolonged period of prosperity during the operations phase of the mine, punctuated by periodic cyclical downturns; a phase-down period characterized by lay-offs, rumours of closure and considerable community anxiety and, finally, the inevitable closure causing high unemployment, disillusionment and bitterness among the townspeople.

The demise of single-industry resource towns is one of the main causes of long-term unemployment in Newfoundland. Tilt Cove, Bell Island, St. Lawrence and Buchans have all suffered from mine closures during this century; Daniel's Harbour has closed temporarily; Baie Verte is being kept going by large government investments, and even the mighty iron ore mines at Wabush and Labrador City in western Labrador are under threat from Third World competition. Prospects for new gold and other mining operations, and for the growth of an offshore petroleum industry which is also based on a non-renewable resource, indicate that several other communities may face similar problems in the future. This is a serious social and economic issue which has not been adequately dealt with in any systematic way in our province.

What has happened instead is that the demise of mining towns is handled on a case by case *ad hoc* basis. It is extremely difficult for older miners, trained in a mining technology which has become outdated, to find work elsewhere. Families find that the market value of their most important investment, their house, declines rapidly after the mine closes, and municipalities lose their main financial bases when the company stops paying its grant in lieu of taxes. Townspeople turn to the state for assistance and the state, particularly the provincial but also the federal government, is obliged to respond. It sets up task forces, promises alternative large-scale industries (oil storage for Bell Island, a fish plant for St. Lawrence, a prison for Buchans), provides short-term make-work projects, contributes to building up community infrastructure and disburses transfer payments in the form of UI and social assistance.

The commitment of many people to their community, the lack of viable employment alternatives and the existence of state support, combine to ensure the survival of the former mining towns as highly dependent communities with chronically high unemployment and higher than average levels of social problems. Young people are deprived, not only of employment prospects in the community, but also of the educational opportunities they need in order to be able to move elsewhere for employment. As explained to the Commission in a brief from a youth group on Bell Island:

> these conditions make it virtually impossible for the majority of parents to send their children away from the Island to acquire the necessary skills needed to secure employment in our modern society.

From an employment and unemployment perspective, the key consideration here is the tendency for welfarism, dependency and chronic unemployment to become institutionalized as a way of life that is passed on from one generation to the next. This is not the fault of the people themselves, but of a social and economic system that has turned productive, hard-working people into wards of the state.

Although most pronounced in mining towns, a similar pattern can be seen in several other communities in Newfoundland. Stephenville, Happy Valley-Goose Bay and the Placentia area all suffered similar fates with the phase-out of the American bases in the 1960s. Less visible, but of great importance in Newfoundland, are several smaller communities which grew up as logging towns to serve the pulp and paper companies at Grand Falls and Corner Brook. When the timber of a particular area was depleted, or the market for the product declined, operations moved on elsewhere. Left behind were the small logging towns that were founded during the local growth phase of the industry. Glenwood, St. Alban's, Terra Nova and Gander Bay are a few of the many Newfoundland villages that have suffered that fate. The scale is smaller than for the mining and military-base towns, but the symptoms of dependency and chronic unemployment are the same.

Newfoundland sorely needs a policy for dealing with its one-industry towns. For the smaller towns, much can be achieved through the regional and community development initiatives we suggest in Chapter 10. Indeed, the desperate unemployment situation in these towns is one more reason for supporting such a strategy. Even for large communities like Bell Island, concerted efforts at community-level development could do much to break the dependency cycle. The co-operative movement is having some success now on Bell Island, with the establishment of a bakery and aspirations for a senior citizen's home, a miners' museum and various small-scale agricultural projects. These local initiatives should be given stronger government support, and the government could also look for other ways to stimulate greater self-reliance on Bell Island, such as helping a local group take over the operations of the Bell Island ferry service.

The town of Sudbury, Ontario, provides a good example of how a community, anticipating a downturn in its traditional industries, pooled its resources and expertise to promote local economic development. In the late 1970s, a core group of residents secured the co-operation and participation of leaders in industry, labour, government, business, academia, the media and other interest groups in setting up a committee which would create permanent jobs in new enterprises. These new jobs were to offset the impending losses in the non-ferrous metals industries and to help to make Sudbury a 'sustainable' community by the year 2001. Using the committee as an umbrella organization to co-ordinate various interests, 'Sudbury 2001' created a series of new enterprises which were small-scale, labour intensive and appropriate technology users, but not in activities related to the town's traditional industries. In all cases, a prerequisite for assistance was that projects and businesses had to be economically viable.

One of the most ambitious projects undertaken involved creating from scratch an integrated natural fibre clothing industry. This combined an angora goat livestock operation with the processing of mohair wool, the manufacturing of textile, leather and dairy products and products from local sheep operations. The production of these commodities was augmented by training programmes, market research and product diversification studies. Other businesses were started in areas such as food production, synthetic products manufacturing, energy generation from organic matter and self-servicing products (clothing patterns, gardening, food processing equipment and health materials).[16] In all cases, enterprises were simple in their organization and the average cost per new job created was low compared to more conventional businesses.

After eight years of operation, although apparently on track in terms of enterprise and employment creation, Sudbury 2001 came to an end as a practical experiment because, in 1986, the provincial government cut off core funding. Without this vital seed money, new projects could not be developed and those in their formative years were not given the opportunity to become self-sustaining. Nonetheless, many people see Sudbury 2001 as a success because the principles of co-operative community development, using local resources, became embodied in all forms of planning and decision-making in the town. In particular, the way of thinking about economic development in Sudbury has changed, so that the community is no longer totally dependent on INCO and Falconbridge. There is a renewed sense of optimism: the town believes that it has the wherewithal to make itself self-reliant by the turn of the century.

This Commission suggests that Newfoundland has much to learn from the Sudbury 2001 experiment. This kind of development strategy could act as a model, not only for our single-industry towns, but for all communities with limited development potential in traditional economic activities. In particular, the recommendations we made in Chapter 5 on the development of an integrated animal products industry are supported by the example described here of Sudbury's creation of a clothing and food industry from goats and sheep. But the lessons to be learned from Sudbury are salutary: planning such initiatives has to take a long-term perspective and funds must be available over an adequate period of time. Those projects which failed in Sudbury did so because start-up capital was limited and operations were forced to run on a hand-to-mouth basis during their formative stages. One originator of Sudbury 2001 told us that it would be better to have $3 million of funding spread over 20 years ($150,000 per year) than to have $1 million per year for three years. Only with this kind of time frame, a guaranteed level of funding and the kind of community co-operation experienced in Sudbury, can a community expect to become self-sustaining.

Such initiatives should be actively encouraged where necessary in Newfoundland. But for the present, something more is needed. For towns like Buchans, Daniel's Harbour and Baie Verte, we should be taking measures now to prevent their falling into the chronic dependency trap that plagues Bell Island. Since these towns all evolved before the formulation of a provincial policy for single-industry non-renewable resource towns, they should be treated on a case by case basis. Buchans is the immediate priority. A background report prepared for the Commission analysed this case, and suggested that Buchans today is in the early stages of becoming another Bell Island. Between 1978-1979 and 1983-1984, social assistance to Buchans increased by more than 250 per cent. People want to work, they are willing to retrain and they are willing to move elsewhere if a job is available for them. But very few of the miners have even been interviewed for other jobs, and families cannot afford to give up their houses in order to migrate to other places where housing is more expensive. The Red Indian Lake Development Association has been doing what it can to attract make-work money and has initiated a few longer-term projects, notably salmon enhancement, but these are only a drop in the bucket compared to what is needed.

If Buchans is to be saved, it needs an immediate boost from some large-scale industry. Possibilities include the siting of a federal prison in the town, the construction of a road to Southwest Brook (which would make Buchans accessible to tourists and shorten the trip across the province for all Newfoundlanders) and the establishment of a subsidized barite industry for offshore petroleum development. These are not new suggestions. The point we would stress is that action has to be taken soon, before long-term unemployment and the dependency-social assistance syndrome become firmly entrenched, and the people lose heart.

For the future, the government needs to devise a long-term policy to prevent further Bell Island and Buchans-like situations. Some mining operations, for example, can be developed on a commuter basis so that the problem of a single-industry town never arises. Where possible, new towns should be developed which have diversified economies from the outset. Adequate advance notice, combined with generous severance settlements and retraining programmes, can help miners and their families re-establish themselves after a mine closes down. This Commission stresses that the obligations of companies, communities and governments need to be clearly laid down from the outset.

> ***Recommendation***
>
> ***The government should design and implement a policy for single-industry towns aimed at preventing the recurrence of cases of economic decline as experienced by Bell Island, St. Lawrence and many smaller resource-based communities in the province.***

Such a policy would clearly be costly to the public purse, but the current lack of a policy is already very costly both directly, in make-work, social assistance and UI payments, and indirectly in the loss of productive people from the work-force.[17]

Women and the Labour Force

While statistics show that male unemployment in Newfoundland is just as serious a problem as female unemployment, women face special labour-market difficulties which keep their participation rates and incomes lower than those of men. Women need to be given equal opportunity in occupations that have traditionally been male-dominated; the education system needs to be changed to remove all vestiges of sex-stereotyping, and parents need to be able to have their children cared for properly while they are engaged in paid employment. This section of the Report reviews recent trends in women's participation in the Newfoundland labour force, considers the barriers to their full and equal participation and offers a number of recommendations about removing these barriers so that society can develop this human potential to the full.

More detail on the employment-related issues which affect women are contained in the background reports, "Factors Affecting Women's Labour Force Participation" and "Women and Work in Newfoundland".[18] Throughout this final Report, gender differences are highlighted wherever relevant; however, we recognize that women experience some employment-related problems that men do not, and it is appropriate that we devote a special section to addressing some of these. The Commission is also aware that public policy decisions regarding employment and unemployment may affect women differently from men. The way in which decision-makers in government perceive the employment problems of women has to be considered if employment equity is to be achieved in this province.

Research and Statistical Overview.

Generally, research on women's work in Newfoundland is sadly lacking; the research which does exist has focused primarily on the fisheries and, more often than not, on the role of the fisherman's wife in the curing of fish. There are many areas of women's employment which have never been studied in any detail. Whether research is oriented towards women's paid or unpaid work, a major difficulty always seems to be the lack of accurate and detailed gender-specific data which would allow a good profile of women's labour force characteristics to be compiled. One of the few comprehensive studies of women's work in Newfoundland[19] commented that the dearth of statistical and background information severely hampered the research. In our background studies, we came across similar problems: information which one would expect to uncover without much effort, such as the number of women working in fish plants or the proportion of high school graduates who are female, was either unobtainable or never collected. Furthermore, unless we resort to the 1981 *Census* (which is now five years out of date), we cannot tell with any precision the percentage of women in rural Newfoundland who are unemployed. Such unemployment information for subregions of the province or for particular communities does not exist either, except where this Commission conducted its own survey or where Regional Development Associations and other community groups have performed local research.

Much of the data used by the Commission, and indeed by anyone interested in women's work in Newfoundland, have to be obtained from official sources such as the *Census*, the Labour Force Survey, the Annual Work Patterns Survey or from special studies. The Statistics Canada data are extremely useful for many purposes, but they have their drawbacks. For example, the Labour Force Survey data are derived from a sample and are subject to error. The total number of women falling within a specific category of activity is often so small that the survey will not publish the actual number of women engaged in that particular activity. While more research is being performed now on women's unpaid domestic labour, there is still not much information available on other aspects of the 'informal' or 'hidden' economy within which many women work. Even seasonal labour is not always counted by statistical agencies unless it conforms to a particular definition of part-time work. Thus, our knowledge of women's work remains partial at best, and a detailed understanding of women's employment patterns and behaviour cannot be gained until better information is available.

The statistical picture of women's employment in Newfoundland shows that there have been radical changes over the past decade. Women's participation in the labour force has increased dramatically, while male participation rates have remained constant. We know, also, that the proportion of married women entering the labour force has increased and over 70 per cent of these women have two or more children living at home. Furthermore, 80 per cent of single parent families are headed by women and roughly one in three of these women is officially in the work-force. Female participation rates have increased significantly over the last decade: female employment-to-population ratios have risen as well, but at a slower rate. This implies that many women entering the labour force end up unemployed, as is shown by rising female unemployment rates since 1975.

Many factors affect women's employment prospects. Over the past decade we have seen a deterioration in the economic climate of Newfoundland: unemployment and underemployment have posed hardships for men and women alike. Yet, the vast majority of employed women are in low-wage positions. Over 60 per cent of all Newfoundland women in the labour force are in clerical, service, processing and sales occupations; conversely, women are virtually absent from jobs in construction, transport and machine operating occupations. Over 30 per cent of employed women are listed as managerial and professional by Statistics Canada; the majority of these are in teaching and nursing, which are traditional areas of women's employment.

In Newfoundland's newest industry, offshore oil, few women are employed. Only a couple of dozen women work on the drilling rigs and this has happened only within the last four or five years. Women working offshore tend to be concentrated in the catering and service occupations, rather than in geology, engineering or drilling supervision. Employers have done little to encourage women to enter these fields. Newfoundland's offshore industry is still in its early stages, so employment policies can still be influenced. To encourage employment opportunities for women in oil-related fields will require concerted action and cooperation from both orders of government and the oil companies. This will involve not only the active encouragement of potential women workers, but also the provision of training along with a monitoring process to ensure that real equity is achieved.

Partly as a result of occupational clustering, women earn on average much less than men and yet women are continuing to train for low-salaried positions rather than for the higher-paid, non-traditional occupations. An analysis of the salaries earned by women in Newfoundland shows serious discrepancies between male and female wage levels. On average, women who work full-time in year-round jobs earn only about 63 per cent of the wages earned by men. While this wage gap can be explained partly by the clustering of women in a few low-paying occupational groups, this is only a part of the story. The wage differential is also partly a result of the outdated notions that women work only until they marry, or that their income is secondary and not as important to the family unit as is that of the male 'breadwinner'. This Commission found no evidence to support either of these views. The National Welfare Council recently released statistics about poverty in Newfoundland which indicate that one family in four lives below the poverty line, while the risk of poverty is dramatically reduced for families with more than one wage earner.[20] One half of all female-headed single parent families lived below the poverty line compared to one in five for male-headed single parent families. The average income of a family with a head of household under the age of 25 declined by 15 per cent from 1980 to 1983. These figures indicate that women are entering the labour force because they need to have jobs. Dire need will lead many women to accept whatever jobs are to be had, regardless of wage rates, conditions of work or whether employment is part-time or full-time.

Between 1975 and 1984, the number of Newfoundlanders working part-time doubled with the majority of part-time workers being female. Almost 20 per cent of women's employment in this province is part-time compared to 5 per cent for males. As in the rest of Canada, part-time work has become a growing area of women's employment. With higher participation and unemployment rates for women, and an increase in women's part-time work, the Newfoundland labour market appears to have undergone a fundamental change over the last 15 years. It is commonly assumed that most women prefer part-time work in order to devote time to their family responsibilities. This thesis has little support from the data we examined. In a December 1984 survey, for example, 61 per cent of respondents holding part-time jobs stated that they worked part-time because they were unable to find full-time employment.[21]

A large proportion of part-time workers live in rural parts of the province. Most rural women have few employment opportunities other than in fish plants. For those women living near larger centres, the pulp and paper mills, the service sector and government can offer employment. However, many women do not live within commuting distance of these few employers and, even for those who do, commuting regularly to work can pose problems of transportation and babysitting. The fish plant is still the mainstay of rural women's employment, even though its susceptibility to cycles in the fisheries means it is often highly unreliable as an employer. Any reduction in the number of fish plants across the province would further limit rural women's access to jobs.

It is not surprising that the most recent statistics show that the participation rate for rural women is considerably lower than that for urban women; their unemployment rate is also considerably higher even ignoring, for the moment, those rural women who are classified as not being in the labour force but who still want jobs. Rural women also tend to be constrained by lower levels of formal education than urban women.

Rural work, for both men and women, will probably always be based on a part-year and/or part-time format. Those who work under part-year or part-time conditions are often ineligible for many employment benefits and they are forced to work as and when work becomes available, regardless of the inconvenience of shifts.

Education and Training.

Both participation rates and unemployment rates are influenced by levels of education. Data for the period 1979 to 1984 clearly show that participation rates increase, and unemployment rates decrease, for both men and women as educational attainment levels rise. Are young women staying in school? The Department of Education does not compile statistics on high school graduates by sex, so the answer to this question is not readily available. However, according to the 1984 study conducted for the Newfoundland and Labrador School Trustees Association, 43 per cent of all female student drop-outs interviewed cited health reasons (mainly pregnancy) as the main reason for leaving.[22] While young women drop out at somewhat less than the rate of their male counterparts, the fact that a high percentage of girls drop out for 'medical' reasons is distressing to this Commission, particularly since many of these drop-outs had the 'profile' of students who would otherwise have stayed in school.

Those young women who do remain in school very often make curriculum choices which limit their future employment options. For example, selecting a course in basic mathematics over a course in academic math, in spite of an ability to handle the academic course, may adversely affect both educational and career aspirations. Several factors may influence the choices made by young women in secondary and post-secondary institutions, but sex-stereotyping seems to have a considerable impact on the lives of female students. Teachers are often unaware that they are sex-stereotyping. For example, in schools boys and girls get approval for different types of behaviour: the behaviour that is labelled 'brave' in a boy is often labelled 'brazen' in a girl and a boy may be 'boisterous', but a girl will be 'loud'; boys are encouraged to compete, girls to co-operate. Sex-stereotyping in schools forms misperceptions about the capabilities of women and what constitutes 'women's work'. For example, reading textbooks continue to display males as 'breadwinners' and females as 'homemakers'. Additional reinforcement of role stereotypes comes from the distribution of teachers in the schools themselves: the majority of primary and elementary teachers are female, while most high school teachers, principals and administrators are male.

Looking at the pattern of male and female vocational and trades' college programme choices, trends have remained virtually the same over the last 10 years. Women are still concentrating on the traditional areas of training. While we must be careful not to denigrate those traditional training programmes such as beauty culture, for they have provided many Newfoundland women with good careers, women are increasingly expressing a desire to enter more non-traditional fields where the potential for employment may be greater. At the university level, women are making inroads, albeit slowly, in the male-dominated fields of engineering, business and the sciences. There is also a significant increase in the number of women training for the medical profession. However, women continue to constitute a high percentage of the graduates in nursing, social work and the arts.

Day Care.

Perhaps the most pressing concern for both urban and rural women is the lack of adequate and affordable day care services. Married women with pre-school children and full-time jobs need these services; part-time workers need flexible day care arrangements; women who wish to pursue education or training and single parents, both male and female, who want to work outside the home, require day care. As emphasized at the public hearings and in briefs submitted to the government by women's groups and social service organizations, there is an obvious need here. Funds are needed to subsidize day care and to help train day care workers for the province.

The Department of Social Services has the responsibility for providing licensed day care services. In Newfoundland, there are approximately 15,000 children under the age of five who need care while their parents work. As of May 1986, there were 63 licensed day care centres in Newfoundland with approximately 800 full-time spaces. People who are on social assistance qualify for subsidized day care, but the majority of parents pay their own costs. In other parts of Canada, day care is provided through subsidized, licensed family day care homes in addition to the commercial centres, but Newfoundland does not have such a system of day care homes. Also, while the Department of Social Services regulates the physical operation of day care centres, regulations governing the training or qualifications of staff are inadequate. Newfoundland has one of the lowest day care availability rates in Canada and the lowest level of government expenditure on day care services. Any increase in day care services and facilities will have to accommodate the several different needs experienced throughout the province. Government should consider granting municipalities and community groups the authority to determine their own specific day care needs and to create and operate their own facilities.

There is also a need for more training for day care in Newfoundland and for salaries of day care professionals to be raised. Day care is not simply a matter of baby-sitting. Over 80 per cent of working parents have expressed a desire for educational programmes for their children.[23] The diploma course in Early Childhood Education, to be introduced in September 1986 at the College of Trades and Technology, is an encouraging sign. However, a two year waiting list already exists for entrance to this course.

In contemporary society, child care is just as much a father's as a mother's responsibility. The child care issue could be improved for women if changes were made in men's working conditions which allowed them to participate more readily in raising their children. Flexible working time and job-sharing schemes, for both men and women, would help to equalize both market and household working conditions for both sexes.

Government Policies and Programmes.
In the submissions presented to the Commission by most departments of the provincial government outlining their mandates, employment-related programmes and policies, there were very few references to women. Departments seem to be unconcerned about the impact their employment-related activities have on women; indeed, government programmes rarely reference differential impacts by gender.

Nonetheless, the provincial government has made several important moves in the last couple of years to address employment inequities. In 1980, it appointed an Advisory Council on the Status of Women which focuses its attention on women's issues in general and conducts some research on women's employment issues. As a result of input from the Council and other women's groups, the provincial government established a Task Force on Affirmative Action in 1984. The Task Force was given the mandate to conduct a full policy review of affirmative action and, since women appear to be underrepresented in management positions within the public service, the Task Force also made recommendations to the Public Service Commission on a new Accelerated Management Development Programme for Women. The provincial government has accepted all 48 recommendations of the Task Force, including the recommendations to implement an affirmative action programme for women in the public service and to review the classification and pay system to eliminate gender bias. In September 1985, the provincial government appointed an assistant deputy minister in the Department of Career Development and Advanced Studies to be responsible for Women's Policy.

The Task Force on Affirmative Action found that on 95 boards, commissions, corporations and other organizations, women's representation was extremely low. Of these 95 organizations, 35 had no female representatives at all and only 5 were chaired by women. It is worth noting that since Norway's '40 per cent law' was adopted four years ago, of 19 Cabinet posts in the Norwegian government, 8 are held by women; 44 per cent of parliamentary seats are held by women; 50 per cent of government advisors and 42 per cent of deputy ministers are women. The Norwegian case is one we should learn from: we have a great deal of catching up to do.

The federal government has also taken some initiatives on women's issues. It established a women's employment co-ordinator in Newfoundland in the late 1970s. This officer is supposed to ensure that females are fairly represented in all programmes and services offered by CEIC and to provide regional assessments of national programmes. More recently, CEIC has appointed an employment equity officer whose responsibility is to provide information and analysis to other government and non-government organizations in an effort to improve the percentage of women employed.

CEIC also has two other functions directly related to women's employment: it purchases seats specifically for women in training institutions and also targets certain job creation programmes for women only. In 1983-1984, a total of 2,321 females (34 per cent of total seats purchased) were sponsored by CEIC for institutional training in the province. The majority of these seats were in the areas of health assistance, general service sector training, clerical services and more recently, computer processing. Of all the women enrolled, only five per cent started training in non-traditional occupations. It is encouraging to note that CEIC does recognize the fact that women who want training often need day care. Recent improvements in the maximum amounts payable for training and childcare allowances have reduced some of the barriers to women's training. Yet, most programmes in which participants are eligible for training allowances are limited to less than 52 weeks duration and this simply is inadequate.

Over the past decade, women have been a designated target group for job creation programmes. Sponsors are encouraged to have a 30 per cent participation rate by women. However, in reality this is seldom achieved. In particular, rural women have been vocal in their complaints about job creation programmes and the lack of access to them. Women face difficulties in obtaining information and advice about the programmes on employment and training open to them. We would like to see CEIC make a concerted effort to have all of its employment counsellors fully aware of all CEIC programmes offered to women, and we would also like to see more encouragement given to women who wish to explore non-traditional avenues of employment and training.

Men are often given priority in access to job creation programmes. The multitude of federal job creation schemes available tends to stress heavy manual labour projects, such as wharf construction, rather than jobs for which women have skills. The new Canadian Jobs Strategy does have one particular programme - Job Reentry - which is for women only. However, to date, very little training under approved Job Re-entry proposals is for non-traditional occupations.

New Opportunities.

With an official unemployment rate of about 20 per cent and a much higher real rate, there simply are not enough jobs for everyone, regardless of gender. In this situation, there are two alternative perspectives on what can be done to improve women's employment prospects in the province. The pessimistic view is that very little can be done: until the economy improves substantially and jobs become more plentiful, women's employment needs will remain on the back burner. The optimistic view is that women's innovative thinking about their own employment needs will be of benefit to the province as a whole by generating jobs and income that will provide a boost to the economy.

This Commission believes the latter perspective should prevail. Women seeking employment must be active themselves in creating opportunities. Many briefs presented to us at the public hearings demonstrated that women are thinking of small businesses and projects which would provide services and incomes to people in their areas. Policy makers and politicians should support such initiatives. In Canada, there are more small businesses being started by women than ever before. One survey has shown that 47 per cent of enterprises started by women lasted for at least five years, compared to only 23 per cent of those which were started by men.[24] Women to whom our researchers spoke expressed the opinion that regional economic improvement could best come through the creation of small industries which were based on local resources and met local needs or specialized market demands. The potential of such an approach can be seen, for example, in the success of the Placentia Bay Matmakers. They started as a group who got together informally to hook mats as a social activity and later turned this into a viable small business producing a high-quality craft product. They have now hired a business manager and their mats are known across the province and Canada. That small enterprise has provided six incomes and rejuvenated a traditional Newfoundland craft form.

The strength of women's networks in rural Newfoundland, institutionally and on an *ad hoc* basis, can be seen at every church dinner and community event. The women who can cater a supper for one hundred or prepare and sell cold turkey plates to the entire community could use those organizational abilities to market a product or service. This is witnessed in Prince Edward Island where women have turned their culinary skills from direct fund-raising for a church to a profit-sharing arrangement, whereby lobster dinners for tourists provide income for the women and for the sponsoring church or hall. Such a transfer of skills and products is feasible for a small business enterprise.

Similar organizational skills are evident in Newfoundland, as is exemplified by women's voluntary associations on the Southern Shore. Extensive information networks have been created by women on the Shore, and they are deployed whenever a community event is planned. Similarly, informal networks were pressed into political service to assist the protest line at the Burin fish plant when closure was threatened in 1983. By adapting the communications system and structure of the Ladies' Darts League, the women set up and maintained a 24 hour a day protest line for six months over the winter.

Such examples demonstrate the importance of using existing local resources to develop effective action. Had communication and organization systems from outside been used, it is conceivable that these initiatives would have been less successful. If the demonstrated strengths of women's ability to organize and act were channelled effectively, provincial and regional development could be given a welcome boost. Women should be given an equal opportunity with men to take the kinds of initiatives that we need in this province to put people to work and to reduce our high rate of unemployment.

Recommendations

Government departments and agencies should collect data on employment, income and other socio-economic variables by gender as a matter of course in any survey, study or monitoring programme undertaken.

The provincial government should focus more attention on women's employment opportunities in non-traditional fields, such as the offshore petroleum industry. The Petroleum Directorate should update and release to the public its study of women in the offshore and, in co-operation with the Department of Career Development and Advanced Studies, should work with offshore oil operators to encourage women to pursue offshore oil-related career opportunities.

In devising labour-market strategies and employment generation programmes, governments should pay particular attention to the employment concerns of rural women.

The Department of Education, with the co-operation of the School Boards, should accelerate their analysis of the contents of all curricula and courses in order to eliminate the sex-stereotyping of boys and girls. Special attention should be devoted to the elementary school system, and basic textbooks which do not emphasize traditional gender roles should be adopted for school use.

The Faculty of Education at Memorial University should include material on sex-stereotyping in its teacher training programme in order to educate all teachers and potential teachers about the negative effects of sex-stereotyping.

The Department of Education should initiate a major programme in primary and secondary schools to provide information, through guidance and career counselling, on a wide variety of career choices for young women.

The Department of Career Development and Advanced Studies should assess efforts to introduce non-traditional training options for women and the number of female instructors in all non-traditional trade programmes should be increased.

More public funds should be made available for the establishment of day care facilities and childcare services across the province.

The regulations governing day care services and facilities should be amended to include regulations governing the qualifications of day care staff.

In view of the obvious demand for the Early Childhood Education Programme at the College of Trades and Technology, more courses in early childhood education should be offered in different parts of the province through the community college system.

The Labour Standards Act provision for maternity leave should be recast as parental leave and include a provision for the sharing of parental leave by fathers and mothers. Adoptive parents should be eligible for the same leave as natural parents.

Government should, where it has the discretionary power to make appointments to boards, commissions, corporations and other organizations, appoint approximately the same percentage of females as males.

Recognizing the job creation potential of small enterprises, government should use a range of support and promotion strategies to actively encourage women to undertake enterprise initiatives.

The federal and provincial governments should recognize the high unemployment rate for women and should guarantee equal access for women to job creation programmes. Employment counsellors should be fully conversant with all programmes geared towards women's employment and training, particularly in non-traditional areas of work.

Youth and Unemployment

The outlook is bleak. What can we do with ourselves now?
High School Student
Grand Falls Public Hearing
September 23, 1985

Many young people in Newfoundland are discouraged. They live in a province where 19,000 youth (persons aged 15-24 years old) are unemployed[25] and where the youth unemployment rate is 33.2 per cent, at least nine percentage points higher than that of any other province.[26] In fact, Newfoundland youth have consistently experienced the highest unemployment rates of all age groups in all the provinces.[27] Twenty per cent fewer young people are employed in this province than were employed five years ago. And unless strong mitigatory measures are taken, high levels of youth unemployment will persist in Newfoundland until at least the turn of the century.

Many young Newfoundlanders have both the education and the experience to allow them to find employment in this province or to seek opportunities elsewhere, but many young people in Newfoundland are in danger of becoming a 'lost generation' as a result of the debilitating effects of chronic unemployment. Denied the opportunity to acquire responsible work habits, they are likely to become disillusioned, to drift from one dead end to another and eventually to become all but unemployable. One distressing effect of high youth unemployment is the low school retention rate. When young people in Newfoundland have the perception that many of their peers who do complete high school and/or university cannot find employment, they are less inclined to complete their own education. This happens despite the fact that, as we saw earlier, those with higher education **do** have a much better chance of finding employment.

The mandate of this Commission requires that the high rate of unemployment among young people be given special attention. The topic is of grave concern to many Newfoundlanders - as evidenced by many submissions at our public hearings - and it is the subject of two of our background reports.[28] This section of our Report first examines statistics on age, sex, residence and educational attainment in order to determine which young people are unemployed, then suggests why the youth unemployment rate has risen in Canada over the past decade and why the problem is especially serious in Newfoundland. Thereafter we review briefly provincial and federal government efforts at reducing youth unemployment and finally we offer recommendations aimed at improving the employment situation for the young people of the province.

Youth Unemployment: A Statistical Profile.

You go to the Manpower centre, but there's no jobs. You get tired going to the companies. They all say the same thing: there's no jobs. You're not going anywhere fast in Newfoundland.

Jack, 21
Marine Electronics Certificate
1983

In 1985, young people accounted for 37.5 per cent of all the unemployed in Newfoundland.[29] Participation rates are much lower for the 15-19 year age group than for the 20-24 year age group, which is not surprising since most young people do not complete high school and enter the labour force until they are 17 or 18 years old. What is distressing is that, for both age groups, unemployment rates have **increased dramatically** during the past 10 years: for 15-19 year olds, the unemployment rate increased to 35.3 per cent in 1984 from 27.6 per cent in 1975; for 20-24 year olds, it increased to 33.5 per cent in 1984 from 19.1 per cent in 1975 (See Table 6.17). Unemployment rates for young males have been consistently higher than those of their female counterparts, and male participation rates have declined more during the recession of the 1980s (See Table 6.18).

This does not necessarily mean that unemployment is less of a problem for young women in Newfoundland. Their lower unemployment - and hence 'official' unemployment rates - may reflect labour market opportunities which discourage women from entering, or remaining in, the labour force. In rural areas of Newfoundland, labour force participation is consistently lower than in urban areas and unemployment rates are consistently higher (See Table 6.19). These differences reflect poorer job prospects in rural communities. If rural youth participated

Table 6.17
Youth Participation and Unemployment Rates, by Age Sub-groups

Newfoundland, 1975—1984 (Per cent)

	Participation Rate		Unemployment Rate	
Year	15-19 Years	20-24 Years	15-19 Years	20-24 Years
1975	37.6	65.3	27.6	19.1
1976	35.0	66.3	24.4	18.8
1977	37.6	67.9	28.9	22.5
1978	38.7	66.8	29.6	21.8
1979	38.6	68.7	28.9	22.4
1980	37.6	67.9	25.2	19.2
1981	37.5	67.1	30.0	20.4
1982	32.6	66.1	36.2	24.7
1983	34.0	67.4	36.2	28.9
1984	31.2	66.6	35.3	33.5

Source: Statistics Canada 71-529, 71-001.

Table 6.18
Youth Participation and Unemployment Rates, by Gender

Newfoundland, 1975—1984 (Per cent)

	Participation Rate		Unemployment Rate	
Year	Male	Female	Male	Female
1975	58.7	41.6	24.4	20.0
1976	56.1	42.2	23.9	16.9
1977	56.8	46.1	29.0	20.0
1978	58.0	45.3	27.7	21.3
1979	59.5	45.3	27.5	21.6
1980	57.2	45.5	23.7	18.9
1981	56.1	45.5	27.0	21.0
1982	51.2	44.1	33.6	23.7
1983	54.0	44.7	36.4	25.8
1984	51.5	44.5	39.9	27.5

Source: Statistics Canada 71-529, 71-001.

Table 6.19
Youth Participation and Unemployment Rates, by Residence

Newfoundland, 1975—1984 (Per cent)

	Participation Rate		Unemployment Rate	
Year	Rural	Urban	Rural	Urban
1975	42.0	56.2	28.3	19.5
1976	40.4	56.1	22.0	20.4
1977	42.3	58.4	28.0	23.4
1978	43.1	57.9	28.2	23.1
1979	44.1	59.5	27.4	23.4
1980	42.7	58.7	25.1	19.4
1981	43.2	57.3	25.7	23.4
1982	39.4	55.7	30.1	28.3
1983	41.0	56.7	34.2	29.9
1984	40.7	54.5	39.3	30.8

Source: Statistics Canada 71-529, 71-001.

in the labour force at a level comparable to their urban counterparts, the unemployment rates for rural youth would probably be even higher.

As we have seen, the more education one has, the better one's chances of finding employment. In Newfoundland in 1984, young people who had not completed any secondary education had a participation rate of only 36.4 per cent; those who did possess a post-secondary diploma had a participation rate of 79.9 per cent. Young labour force participants who had only high school education experienced an unemployment rate of 36.4 per cent in 1984 compared to 23.1 per cent for those with a post-secondary diploma (See Table 6.20). It should be stressed, however, that all educational groups for whom information is available experienced increases in unemployment over the 1975-1984 period. If the hidden unemployed youth were taken into account, the unemployment rate would be even higher.

The Causes of Youth Unemployment.

I put a lot of value on work. I try to cover it up and say I'm between jobs or something like that.... It's very belittling to say I don't work.

Gerry, Unemployed
with a Bachelor of Commerce Degree

Given what we have said already, it should come as no surprise that a 16 or 17 year old in Newfoundland has serious concerns about his or her employment prospects. Youth unemployment in Newfoundland has reached a critical stage. To understand why this has happened, we need to consider Newfoundland both within the Canadian context and as a province with its own particular problems.

Since 1982, there has been a relatively dramatic increase in youth unemployment in Canada as a whole. Unemployment rates among youth jumped by five

Table 6.20
Youth Participation and Unemployment Rates, by Educational Attainment

Newfoundland, 1979—1984 (Per cent)

	Participation Rate				Unemployment Rate			
	Grade 0-8	High[1] School	Some Post Secondary	Post Secondary Diploma	Grade 0-8	High School	Some Post Secondary	Post Secondary Diploma
1979	39.3	50.1	62.7	80.8	35.1	26.9	—[2]	—
1980	38.9	48.4	61.5	84.2	29.1	23.9	—	—
1981	40.6	47.1	58.7	83.5	34.6	27.0	—	—
1982	33.6	43.6	56.6	82.3	44.9	32.4	21.8	—
1983	37.3	44.9	55.0	83.2	48.3	32.9	26.5	22.4
1984	36.4	42.8	59.0	79.1	49.6	36.4	29.0	23.1

[1] Includes persons who have either completed their secondary education or at least some secondary education, but who have not had any post-secondary education.

[2] Dash indicates that estimate was not published owing to small sample size.

Note: Youth possessing university degrees are excluded because unemployment rates are unavailable for this group.

Source: Statistics Canada 71-529.

percentage points, from 13.2 per cent in 1981 to 18.8 per cent in 1982.[30] These high levels have continued into 1986. In addition, throughout the past decade, unemployment rates among the 15-24 year old group have been double those of the adult labour force.

A combination of several factors has resulted in this high unemployment rate for youth. The years 1966 to 1976 saw the entrance into the labour market of the members of the baby boom generation. In addition, the last 20 years have also seen a large increase in the number of women in the labour force. Women are no longer leaving the labour force when they start families. In fact, in the last 20 years, there have been more people available for work than ever before. At 30 to 40 years old, these people are still 25 to 35 years away from retirement. Thus, growth in the labour force has outdistanced the number of new jobs created. Coupled with this increased labour force supply has been the advent of new technology. Technological changes have resulted in an automated and computerized work-place with less and less demand for the human element. Of major importance as well has been the recent recession. Massive layoffs by the private sector and freezes in federal and provincial government hiring have eliminated a vast number of jobs. And although economists agree that the worst of the recession is over, all indicators point to very limited employment expansion in the future. Of course, all of the above factors affect adults as well as young people. But young people face the added reality of a lack of job experience and, therefore, are victims of the unending cycle, 'no experience = no job = no experience'. The high rate of unemployment among youth is not a result of discrimination against young people as such, but is a result of the disadvantage of being new entrants into a highly competitive labour market.

Table 6.21
Percentage of the Population who are Youth, and Youth Unemployment Rates by Province

(Per cent)

	Youth in the Population (1981)[1]	Unemployment Rate (1985)
Newfoundland	25	33.2
New Brunswick	24	24.0
Nova Scotia	24	22.6
British Columbia	22	21.3
Quebec	24	18.0
Alberta	27	15.4
Saskatchewan	23	13.9
Manitoba	23	13.9
Ontario	23	13.2
Prince Edward Island	24	n/a

[1] Data for 1981 (*Census*) are the most recent accurate data available. Youth is defined as persons between the ages of 15 and 24.

n/a = not available.

Source: Statistics Canada, 92-901, 71-001.

Newfoundland does not have a significantly higher proportion of young people in the population than do other provinces (See Table 6.21), but Newfoundland's youth unemployment rate is much higher than that of other provinces: nine percentage points higher than the province with the next worst youth unemployment rate (New Brunswick) and 20 percentage points higher than Ontario. As we saw in Part I, the 1980s recession hit Newfoundland harder than other provinces and it has been slower to recover. Hence, youth unemployment is more severe here and, unlike a decade ago, young Newfoundlanders can no longer expect to find employment easily by migrating to mainland Canada.

Government policies are also important in this respect. Today, western governments have such high deficits that they have eschewed counter-cyclical spending to create employment. Instead, the federal government has been reducing public sector hiring and encouraging the private sector. Newfoundland is at a disadvantage here because it has a smaller private sector than other provinces. Our low school retention rate compounds the unemployment problem of Newfoundland youth: in a province where employment is already difficult to obtain, young people who drop out of school find it even more difficult, if not impossible, to get jobs. As long as Newfoundlanders lack the basic skills normally provided through the formal education system, they will also lack the ability to learn new skills which would allow them to take advantage of new employment opportunities, either in Newfoundland or elsewhere in Canada.

To sum up, then, a combination of factors has resulted in the extremely high youth unemployment rate in Newfoundland in the 1980s. As well as those factors which apply to Canada as a whole, Newfoundland's traditionally high unemployment rate, the longer-lasting effects here of the recession, the province's dependency on resource industries where employment is shrinking, deflationary government policies, Newfoundland's lack of a substantial private sector and our low school retention rate and education levels together have created the unemployment crisis faced by Newfoundland's young people.

Government Programmes for Youth.

I've done what I was supposed to do. I finished school. Got a trade. And now nothing. I think the whole government should quit.

Ted, 22
College of Fisheries Graduate
1984

In response to the seriousness of the problem, the federal and provincial governments have made some attempts to address youth unemployment. We examine these efforts briefly here, to determine what form this assistance to youth is taking in Newfoundland.

Two federal government departments have programmes which are designed for youth: CEIC and the Department of the Secretary of State. CEIC offers counselling, training, testing, referral and placement centres for youth. In Newfoundland, the Commission operates three employment centres on campus in St. John's, 15 employment centres for students across the province, a specialized youth unit in St. John's and three Outreach Projects in Gander, Twillingate and Corner Brook.

CEIC in Newfoundland also has a computerized career information system (CHOICES), which helps young people choose their career paths. In addition, CEIC makes available a number of publications aimed at helping youth assess the job market and determine which jobs suit their specific interests and skills.

There are four CEIC-funded programmes in Newfoundland which are aimed specifically at youth.

- The Career Exploration for Young People programme has thus far received $266,000 in funding from CEIC. Because it is delivered by the provincial Department of Career Development and Advanced Studies, it will be discussed in the section dealing with provincial government programmes.
- The Job Entry programme of the Canadian Jobs Strategy is designed to help young people, and also women who are having difficulty making the transition into the labour market. Job Entry provides funds for training, places participants with training-place hosts and arranges off-site training. This programme was implemented in Newfoundland in September 1985, with a budget of $4.7 million.
- For the past 11 years, CEIC has sponsored a number of summer job creation projects for students, with a total of $40.5 million in federal funding. This year, under Challenge '86, two programmes are being funded in Newfoundland: Summer Employment and Expansion Development (SEED) and the Student Business Loans programme.

  The SEED programme was introduced in Newfoundland last year to create summer employment for students. Participants must be attending an educational institution and planning to return to it in the fall. The 1985-1986 budget for SEED in Newfoundland was $8.48 million, including a provincial contribution of $2 million. There were 5,616 short-term jobs created by SEED in Newfoundland last year. This year's SEED budget has been reduced to $4.65 million, again with $2 million as the provincial contribution. Although this year's budget is approximately one half of last year's budget, 5,000 jobs are expected to be created by SEED in Newfoundland this summer. Most of these jobs are in the private sector where CEIC pays one half, rather than the total amount of participants' wages.

  The Student Business Loans programme is also in its second year in Newfoundland. It provides $2,000 loans for business ventures to full-time students who will return to their educational institutions in September. These loans must be repaid. Last year, four loans were granted in Newfoundland and this year, 11 loans have been granted to date (August 1986). Federal funding for the programme for each year has been $29,000.
- In the past, the Department of the Secretary of State has also funded programmes for youth in Newfoundland, including theatre groups and a Junior Achievement Programme in St. John's. However, the department's budget for its youth programmes in the province has been reduced in recent years: its 1984-1985 budget was $200,000, its 1985-1986 (International Youth Year) budget was $140,260 and in this year's budget, no funds were allocated for programmes aimed specifically at young people.

Three provincial government departments have programmes and policies which have a direct impact on the young people of Newfoundland: the Department of Education, the Department of Career Development and Advanced Studies and the Department of Culture, Recreation and Youth. The Department of Education plays a fundamental role, since it determines the standard of education received by young Newfoundlanders. The vital role of education has been addressed in Section I of this chapter and in a separate report of the Commission.

The Department of Career Development and Advanced Studies was created in 1984 and has as its mandate "the supervision, control and direction of all advanced continuing education." Its Division of Adult and Continuing Education delivers the Career Exploration for Youth (CEY) programme, which is funded by CEIC. Since the CEY programme was introduced in Newfoundland under a previous system in 1983, there have been 19 four-week courses designed to help young people explore career paths. Participants must be between the ages of 18 and 25 years, and have been out of school for at least one year. An average of 20 students have participated in each course. Funding thus far for the courses has been $266,000 ($14,000 per course). Participant follow-up indicates that 75 per cent of those who took the course are now employed or receiving some form of training. Given its commendable success rate, this programme should be expanded.

The Department of Career Development and Advanced Studies is also responsible for the Employment Services Division, whose staff includes a youth employment officer. The division acts mainly as an information centre on government programmes and training opportunities.

The Department of Culture, Recreation and Youth has as its mandate "the encouragement, promotion, establishment, development, co-ordination and implementation . . . of services and activities relating to the youth of the province". The department has an assistant deputy minister who is responsible for culture, historic resources and youth. While almost every other provincial department deals indirectly with issues that affect youth, this department's Youth Services Division provides, in effect, a 'catch all' service: it is responsible for any issues which affect youth that are not already in the mandate of another department. The Youth Services Division develops and implements specific programmes for youth and is overseen by a director with a field staff of seven and two regional supervisors.

Programmes funded by the Division include the 4-H Programme, the Duke of Edinburgh's Award Programme, the Grants to Youth Organizations Programme, the Travel and Exchange Programme and the Newfoundland and Labrador Youth Advisory Council. The Newfoundland and Labrador Youth Advisory Council's mandate is to create a dialogue among youth in the province and between government and youth, and to research matters related to youth. The Council is composed of nine elected youth members and three adult advisors. Its 1985-1986 budget was $87,100. The 1985-1986 budget for the Division of Youth Services was $1.42 million (including a one-year only allotment for the International Youth Year Secretariat). This year's budget is slightly less, because no new programmes have been introduced.

An Interdepartmental Committee on Youth was created by the Department of Culture, Recreation and Youth in 1983. The committee is chaired by the Director of Youth Services and includes members from such departments as Social Services, Health, Education, Career Development and Advanced Studies, and Justice. The Committee's role is to ensure communication and co-ordination of effort in the delivery of services to youth.

In addition to these three main departments, some activities of other departments also affect young people. Given the high level of youth unemployment one might have expected that the Department of Social Services would be much involved in helping young Newfoundlanders. This is not the case. While the department does provide financial social assistance to some young people, in particular to single female parents, departmental restrictions prevent most young people from qualifying for social assistance or for job creation programmes offered by the department.

On the whole, then, there are many government programmes designed to help young people. Given the severity of the youth unemployment problem, however, the programmes are inadequate. While the problem remains as severe as ever, funding is actually being reduced. This is only partly a matter of fiscal restraint: it is also a matter of priorities. In the opinion of this Commission, both orders of government should be giving much greater priority to the serious unemployment problem that afflicts the young people of Newfoundland.

What Is To Be Done?

I want to work. All my friends want to work. All the people I run into want to work. But it's impossible to get on. Looking for work is depressing. I've been looking every day. I've put applications in everywhere and I've been into Manpower about three times a week.

Sharon, 19
High School Graduate
1984

The integrated employment strategy outlined in Part III of this Report aims to stimulate economic activity, and hence employment, in Newfoundland over the medium- to long-term. By capturing more spin-off benefits from our resource industries, redirecting the course of regional development, revamping our income security system and improving our education and training programmes, we should be able to provide meaningful work for many more Newfoundlanders. This process, however, will take time: time in which too many of those young people in this province who are now unemployed may well become unemployable. In addition to a long-term employment strategy, we must also have a short-term commitment to providing work experience and training for our youth.

Government programmes for youth are currently inadequate in terms of funding and administrative arrangements. Both for the real direct benefits they can bring, and as a supportive gesture to young people which offers reassurance that they will not be a forgotten generation, these programmes must be strengthened.

> ***Recommendations***
>
> ***Both federal and provincial funding for youth employment programmes in the province should be increased substantially, and the Career Exploration for Youth Programme should be expanded.***

The Youth Services Division of the provincial Department of Culture, Recreation and Youth should be relocated to the Department of Career Development and Advanced Studies.

Both orders of government should co-operate in forming an intergovernmental committee which will design and implement public policies for youth employment, and avoid unnecessary duplication of effort.

The Commission recognizes that government programmes and good intentions cannot solve the youth unemployment problem. These measures represent only one piece of the puzzle. An even more important piece is improvement in education and training initiatives. Chapter 8 deals with this issue at length, but there are some other recommendations that we would like to make here that would improve opportunities for young Newfoundlanders (particularly those from remote communities and/or poor families) to benefit from high school and post-secondary education. Too many young people today get locked into unemployment in their home communities because they cannot afford the costs of a good education, and too many of those who do make the effort to become educated incur substantial financial hardship with no guarantee of employment.

Recommendations

Government and industry should provide more scholarships for young Newfoundlanders to pursue post-secondary education at the community colleges, the College of Trades and Technology, the Institute of Fisheries and Marine Technology and Memorial University.

Student loans should be tailored more realistically to the needs of students, and the recipients of student loans should have their repayment schedules adjusted to ease the burden of repayment until they find employment.

None of the recommendations made so far, however, comes to grips with the real crux of the matter: there are not enough jobs for the young people seeking them and it is extremely difficult for new entrants into the labour force to receive work experience. These issues have to be addressed directly. Essentially, there are three ways in which young people can experience employment:

- through becoming employed in the private sector;
- through self employment;
- through becoming employed in the public sector.

In keeping with this Commission's pragmatic approach, we advocate that new policy initiatives be undertaken for enhancing youth employment in each of these ways. In the private sector, employers should be offered subsidies, on a declining annual basis, for hiring young workers for new positions that they could not otherwise afford. Such a policy needs to be worked out in co-operation with the province's labour leaders where applicable, to ensure that established jobs not be jeopardized. Union members, too, have sons and daughters trying to enter the work-force – youth unemployment is everybody's problem. The province's apprenticeship programmes, which are seriously undersubscribed at present should be changed into a co-operative training programme which provides work experience, as described in Chapter 8. Government should assist industry in the hiring of more students, even when they are not, strictly speaking, needed from the perspective of labour-market demand, in order to help young people attain valuable work experience.

In the United States, the United Kingdom, Ireland and several continental European countries, there have been many initiatives in recent years designed to help young entrepreneurs get started in small businesses for themselves. It has been estimated that one business in three in the United States is started by a person under 30 years of age.[31] One of the most promising features of such initiatives is that they combine public and private elements. Successful businesspersons and industrialists take on part of the responsibility for trying to help young entrepreneurs get established through financing, training and advice. In Ireland, for example, the government's Youth Employment Agency has linked up with the Bank of Ireland to run a Youth Self Employment Programme. In the United Kingdom, Sir Philip Harris, Chairman of Harris Queensway PLC has set up a Young Entrepreneurs' Fund which invests equity capital in new companies set up by young entrepreneurs. Given the grave concern expressed to the Commission by many Newfoundland businesspersons about youth unemployment, similar initiatives should be encouraged here. Government would play an initial leadership and co-ordinating role, with the major thrust and financing supplied by the business community. Experienced businesspersons should also be encouraged to help young entrepreneurs by giving them 'street level' information and advice.

The Commission would not expect large numbers of young people to start their own enterprises, but it does see self employment as a viable option for some young people. The great majority, however, will have to find employment working for others. Given the precarious state of the private sector in our province at present, additional employment initiatives for young people are also needed in the public sector. The Commission believes that the youth unemployment problem in this province is so grave that a Young Newfoundland Conservation Corps should be established by the provincial government, hopefully with federal financial support. A background report to the Commission describes successful schemes of this type in other countries.[32]

The Conservation Corps would hire young, unemployed Newfoundlanders for a period of one year for each 'cohort'. Its programme would consist of both training and work experience. The work to be done would be meaningful work which made a real contribution to the long-term economic prospects and quality of life of the province. For example, the Conservation Corps could become involved in woods thinning and other silviculture projects, in areas not provided for under current programmes, and also in beautification schemes for the province's highways, parks and school playgrounds.

Young people would be chosen for the Conservation Corps so as to represent fairly all categories of young people and all regions of the province: small communities and large, high school drop-outs and university graduates, males and females, natives and non-natives. They would live and work together for a year in communal quarters, which we suggest be in a regional centre other than St. John's. Education and training would play an essential role in the programmes and would include both on-the-job training in skills such as basic carpentry, and classroom training in a variety of topics geared to the needs of the students – basic literacy, computer skills, principles of conservation, money management, and so on. The programme would teach sound work habits, self-discipline, self-reliance and a sense of the value of education and its relationship to high quality work. Participants would be selected competitively, not so much on the basis of formal qualifications as on evidence of interest and motivation as shown through letters of reference and personal interviews. They would be provided with their food and accommodation as well as small monthly allowances. The Corps would be purely voluntary, involving training and work experience. Towards the end of their year in the programme, the members of each cohort would be taught job search and interviewing skills, and those who successfully completed the programme would graduate with a certificate which could be cited on their personal résumés.

The number of initial entrants into such a programme would be small but, if the initial year proved successful, the programmes could be expanded in subsequent years. **Today, there are thousands of young Newfoundlanders who want to work but cannot find employment and have nothing meaningful to do. In the absence of viable private sector alternatives (in the short term at least), a major public sector initiative, such as a Young Newfoundland Conservation Corps, is the only chance that many of these young people will have to gain valuable training and work experience.** The suggestions in this section are intended to be a basis for further discussion. The details of any such programmes would have to be worked out in consultation with government officials, youth organizations, labour leaders and educators.

The Young Newfoundland Conservation Corps and the other initiatives we have discussed would all cost money. For the financially pressed Newfoundland government, where would the money come from? We have suggested that the private sector should be expected to contribute its share, through scholarships and a Young Entrepreneurs Fund, and the federal government should be urged to contribute as well, possibly through one of the programmes of the Canadian Jobs Strategy. But these sources would likely not be enough in themselves. The Commission's impression, in travelling throughout the province and talking to Newfoundlanders from all walks of life, is that so many of our citizens now recognize the seriousness of the youth unemployment problem that they themselves would be willing to contribute in a small way to its solution. We suggest, therefore, that if the Newfoundland government cannot find sufficient funds for these youth programmes, it should consider following the lead of the Irish Government and institute a Youth Employment Levy. In Ireland, this one per cent tax on all declared income funds the various programmes of the country's Youth Employment Agency. Newfoundlanders could make a similar contribution to their young people's future.

Recommendations

Employers should be offered subsidies, on a declining annual basis, to hire young people for new positions which would not otherwise be affordable.

Government should assist industry to participate in co-operative education programmes so that more Newfoundlanders can complete their training and enjoy valuable work experience.

Businesspersons and industrialists should be encouraged to establish and operate a Young Entrepreneurs Fund which would provide equity funding, practical training and business advice to young Newfoundlanders who want to go into business for themselves.

The provincial government should establish a Young Newfoundland Conservation Corps which would provide training and meaningful work experience for successive groups of young Newfoundlanders.

People with Disabilities

People with physical and mental disabilities face difficulties when trying to find employment. Barriers include physical accessibility to places of work, restrictions on educational opportunities, transportation problems and work-related discrimination. People with disabilities also have important abilities, they share the fundamental right to work and they are part of our human potential which should be developed.

The exact number of disabled persons is impossible to determine. Estimates for Canada range from five per cent to 13 per cent of the Canadian population.[33] In Newfoundland, an estimated 52,000 people have disabilities. Both the unemployment rate and employment picture for them is disheartening. A 1983-1984 survey found that the majority of disabled people who were employed were in service, clerical and sales occupations, produce fabrication, assembling and repair. Only a few were in managerial positions,[34] and income levels were low. The lifestyles of the disabled are thereby badly affected. In addition to having higher unemployment rates, and lower incomes while employed, disabled persons also have more basic expenses such as those for medication, special aids and devices and transportation services. Lower incomes often mean less independence, life in institutions, and/or dependence on social assistance. Lower education levels and less social activity are two other common consequences of being disabled. Such conditions stifle fundamental aspirations for full and rich lives.

The mentally-ill have special problems of low self worth and a loss of self determination. Those who have experienced mental illness find it very difficult to reenter the work-force. In a province where unemployment on the whole is so high, they face discrimination from employers who are unwilling to take a chance on a person with a history of mental illness. But to deny employment to the mentally-ill is to deny them the opportunity to participate as responsible members of society.

To improve the employment situation for the physically and mentally handicapped, it is necessary to identify the obstacles which stand in the way of equal access to employment opportunities. There are four main categories of obstacles:

- architectural accessibility
- transportation
- education
- work related barriers.

Accessibility to a workplace is an obvious prerequisite for equal opportunity in employment. Although there are costs attached to ensuring that facilities and buildings are accessible, there are also reduced expenditures in social assistance and increased revenue from increased income taxes. Some steps have already been taken in this respect, including the Barrier Free Access Standard (brought about by Public Works Canada in 1982) which applies to new Crown construction and to lease-purchase of federal office accommodation, and the establishment of a

committee of the National Research Council to develop building standards (that would facilitate access to buildings for disabled persons) for incorporation into the National Building Code. However, there are still improvements to be made.

Suitable transportation should be made available as far as possible for disabled persons so as to allow them to integrate fully into the work-force. Some action has already been taken in this respect. In 1983, a National Policy on Transportation of the Disabled was adopted which states government's intention to ensure that safe, reliable and equitable services are available to all disabled persons in all types of transportation provided by the federal government. In 1985 North America's first inter-city bus for disabled persons began operating in Newfoundland. This Terra Transport Roadcruiser, with a $250,000 hydraulic lift, makes weekly round-trips to Port aux Basques and Grand Falls from the capital city. Residents of the city of St. John's can also avail themselves of a bus service operated by the Physically Handicapped Service Centre (the HUB) for the disabled. Here too, however, there are needs which have not yet been met. The HUB service is inadequate and heavily used and as a result, many of the disabled have to get by with less than standard transportation services in the city. Other centres do not have any transportation service for disabled people.

One of the most effective means of promoting the integration of disabled persons into society is to ensure access to good quality education programmes. According to the HUB, there are a number of inadequacies in the present education system. Many persons with disabilities must take part in segregated training projects and programmes, because other educational facilities - including high school and post-secondary institutions - are not suited to their needs. The physical environment, instructors and instructional materials must be suited to people with physical impairment. To this end travelling consultants, such as those already working in the regular school system, could be of help. The *Vocational Rehabilitation of Disabled Persons Act* is inadequate. The Act should add employment support services such as technical aids, attendant services, reader services and sign interpretation to the list of services eligible for funding.

Aside from these difficulties, there are various barriers which are common to most work-places which can prevent a disabled person from obtaining or maintaining employment. These are physical factors, policies, practices and attitudes. Obstacles include inaccessibility of the workplace, a workplace which cannot be utilized by those with a particular disability, inaccessible washrooms, training rooms or cafeterias. Most importantly, the attitudes of others may present barriers to employment. The most damaging misconception is that disabled people are unable to perform competently and productively.

Some measures have been taken to counteract work related barriers. Under the Canadian Jobs Strategy, employers may be granted up to $10,000 to cover the costs of renovations necessary to the employment of disabled persons. This same programme is giving special attention to the disabled as a target group in all their projects. In addition, the Newfoundland government has at present a Task Force on Affirmative Action in operation. The purpose of affirmative action is to identify and remove discrimination which affects the way employers hire and promote people. Disability was included as a prohibited ground of discrimination in the Canadian *Charter of Rights and Freedoms* and in the *Canadian Human Rights Act*.

It was beyond the mandate of this Commission to undertake a detailed examination of the employment problems of the handicapped. The last brief presented to us, however, was an eloquent statement on behalf of the Physically Handicapped Service Centre asking that we recommend measures that will help the handicapped to be able to help themselves to become full contributing members of Newfoundland society.

> The Canadian people want to see the disabled make progress. They know and they recognize that we have the capacity and we have the ability if we are provided with the tools. We want to be educated, we want to be employed, we want to contribute to society, we want to participate. I think studies over the years have unequivocally demonstrated that any monies put in up front to educate or to permit the disabled to participate are adequately returned in tax benefits, in economic spin-offs and so forth .... I have been disabled for approximately 15 years. And always I have found the most difficult problem of all is gaining access. Access to goods, access to services, access to social institutions, access to religious institutions; put very simply, access to the simplest fundamental amenities of life.

In light of this brief, and of our reading of the HUB's recommendations in its submission to the Task Force on Affirmative Action, we would endorse the following recommendations:

Recommendations

To the maximum extent possible, workplaces must be made accessible to people with disabilities.

Transportation systems for people with disabilities should be improved to give them fair and equal access to education institutions and places of work.

The anti-discrimination clauses of the Canadian Charter of Rights and Freedoms should be vigorously enforced, and the provincial government should agree to purchase goods and services only from businesses which agree to practise employment equity.

Experts in education for people with disabilities should be hired to advise on ways to accommodate disabled persons in the secondary and post-secondary education systems.

Under the Vocational Rehabilitation of Disabled Persons Act, provision should be made for employment support services (such as technical aids), attendant services, reader services and sign interpretation, to be included in the list of services eligible for funding.

III. The Income Security System

One of the main benefits enjoyed by Newfoundland when it entered confederation with Canada in 1949 was its incorporation into the Canadian social security system. Old age pensions and family allowances (referred to locally as 'the baby bonus') injected much-needed cash into thousands of households. This sudden infusion of cash into what had been largely a non-industrial, cashless society, at least in the outports, had many consequences for Newfoundland. Old people were heard to exclaim that "they never had it so good" and many couples are said to have increased their family size in order to get higher baby bonus payments. People cut back on their household production of food and clothing and the new consumerism proved to be a great boon for wholesalers and retailers in St. John's and several smaller regional service centres.

The Canadian social security system had grown gradually in the first half of this century. In 1940, a contributory unemployment insurance scheme was introduced and in 1945 universal family allowances followed. During the 1950s and 1960s the system expanded rapidly. In 1957, importantly for Newfoundland, UI was extended to self-employed fishermen; in 1966, the Canada Pension Plan (CPP) was set up and, also in 1966, the Canada Assistance Plan (CAP) was introduced, by which the federal government provides fifty per cent of the funding for the provinces' social assistance payments to needy families and individuals.[35]

The 1970s was a decade of consolidation, with the child tax credit for low-income families being the only important new programme. The 1980s has seen a move towards retrenchment as governments have been forced to practise financial restraint. The UI system is currently under review by a federal Commission of Inquiry which is expected to report in the fall of 1986.

For the purpose of the present discussion, it is useful to distinguish among three categories of income security: universal transfer payments, UI, and social assistance. According to their age, marital and family status, all Canadians qualify for universal transfer payments such as family allowances and old age pensions, and all employed Canadians qualify for the Canada Pension Plan. As Figure 6.5 shows, family and youth allowances constituted 6.6 per cent of income support payments in Newfoundland in 1983, with nearly 30 per cent being made up of old age security and CPP payments. Newfoundlanders are no different from other Canadians in enjoying these benefits which, like medicare and universal education, are an integral part of our modern welfare state. Newfoundland is different from the central regions of Canada, however, in the importance of UI to the local economy and to personal well-being.

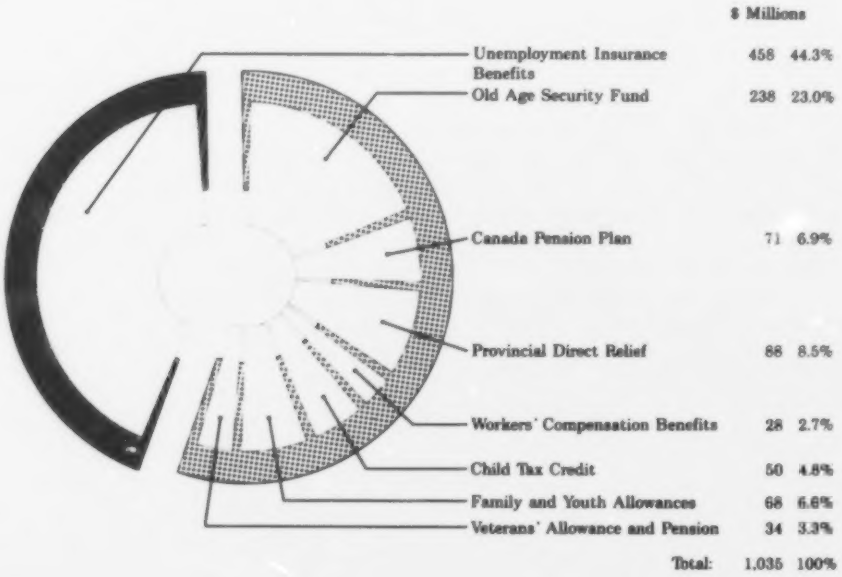
Unemployment Insurance.

While the UI programme was originally intended to provide income **maintenance** for individuals as they moved between jobs in the labour market, in Newfoundland (and several other regions of Canada) it has come to play more of an income **supplementation** role for seasonal workers. In Newfoundland, as Figure 6.5 shows, UI constituted 44.3 per cent of income support payments in 1983. This compares with 28.9 per cent for Canada as a whole. UI constitutes a greater part of average personal income in Newfoundland than in Canada – 8.66 per cent compared to 3.01 per cent (See Table 6.22) – and more people depend upon it for at least part of their yearly income. In some regions of the province, such as the Great Northern Peninsula, two-thirds of the population depend upon UI and, on average, it contributes about one-quarter of personal income. That this dependency upon UI is not a necessary aspect of rural life in Canada can be seen by comparing Newfoundland to Saskatchewan, a largely rural province which is less dependent upon UI than is Canada as a whole (See Table 6.22). Newfoundland recipients also receive UI for more weeks per year than the Canadian average, although it is worth noting that the duration of fishermen's payments is less than the national average. Fishermen's benefits constitute about 12 per cent of the provincial total. UI has become integral to the economic adaptation of many Newfoundlanders. The positive side of this is that it does provide basic income security for thousands of families. The largest share of payments goes to families in the $5,000 to $20,000 income range and keeps them marginally above the poverty income level. Also on the positive side is the vital role played by income security in providing the cash which fuels the rural household non-cash economy, as we explained in detail in Chapter 4. The negative side is that UI has bred a situation and a psychology of dependency that is difficult to eradicate. We will address this issue in Chapter 12. First, we need to examine the lot of those Newfoundlanders who enjoy neither paid work nor UI benefits.

Figure 6.5

Income Support Payments in Newfoundland

1983



Source: David P. Ross, "Report on the Income Security System in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986.

Table 6.22
Income Security Benefits as a Proportion of Total Personal Income

Canada, Newfoundland and Saskatchewan, 1977—1983 (Per cent)

	Canada		Newfoundland		Saskatchewan	
Year	UI Benefits	Total Benefits	UI Benefits	Total Benefits	UI Benefits	Total Benefits
1977	2.28	8.70	7.65	17.06	1.13	9.46
1978	2.36	9.25	8.17	19.05	1.20	10.10
1979	1.87	8.47	6.86	17.06	0.93	9.44
1980	1.77	8.52	6.94	17.93	0.88	9.45
1981	1.65	8.19	6.56	16.86	0.82	8.40
1982	2.67	9.68	7.74	18.58	1.37	9.65
1983	3.01	10.39	8.66	19.84	1.73	10.74

Source: David P. Ross, "Report on the Income Security System in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1985; Newfoundland Statistics Agency.

Social Assistance.

On the basis of their main sources of income, contemporary Newfoundlanders can be thought of as forming four employment classes:

- The Wealthy. This is a small group of households who enjoy surplus income from high salaries, profits, fees and investments.
- The Regularly Employed. This is a large group of households who enjoy regular self employment or year-round employment for salaries or wages.
- The Seasonally Employed. This is a second large group of households, concentrated mainly in rural areas and in the goods-producing sector, who combine seasonal work for wages, household production and UI to achieve a modest and increasingly insecure standard of living.
- The Non-Employed. This is a small group of households who, due either to disability or failure to seek or find a job, lack sufficient employment even to qualify for UI benefits. These households live in poverty and most (but not all) of them depend upon state support in the form of Social Assistance payments.

Table 6.23
Incidence of Poverty

Canada and Newfoundland, 1971 — 1984 (Per cent)[1]

	1971	1973	1975	1977	1979	1981	1982	1984
Newfoundland:								
Families	33.7	23.7	21.1	15.8	16.1	17.4	20.1	23.0
Unattached Individuals	55.8	61.5	40.9	53.7	46.5	42.7	39.5	45.1
Canada:								
Families	18.3	13.4	11.8	11.2	10.4	12.0	13.2	15.0
Unattached Individuals	43.1	40.2	38.2	36.8	32.3	37.8	37.4	38.4

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[1] To be read as the percentage of families and the percentage of unattached individuals who are living in 'poverty', as defined by Statistics Canada on the basis of 'low income cut-off levels'. These levels are determined from income and expenditure date. See source material for full explanation of those calculations.

Source: Statistics Canada 13-206, 13-207.

Contrary to some people's stereotypical views, the number of welfare recipients in Newfoundland is relatively small - just over 20,000 cases in 1984. Of these, 70.1 per cent are classified as not available for work because of illness, disability, pregnancy or single parenthood. The able-bodied recipients are mainly unskilled people with low levels of education. Few young, single, unemployed Newfoundlanders qualify for Social Assistance: in 1985, only 6.4 per cent of the total Social Assistance case-load consisted of young, able-bodied workers; less than eight per cent of the estimated 16,000 young unemployed Newfoundlanders are on Social Assistance.

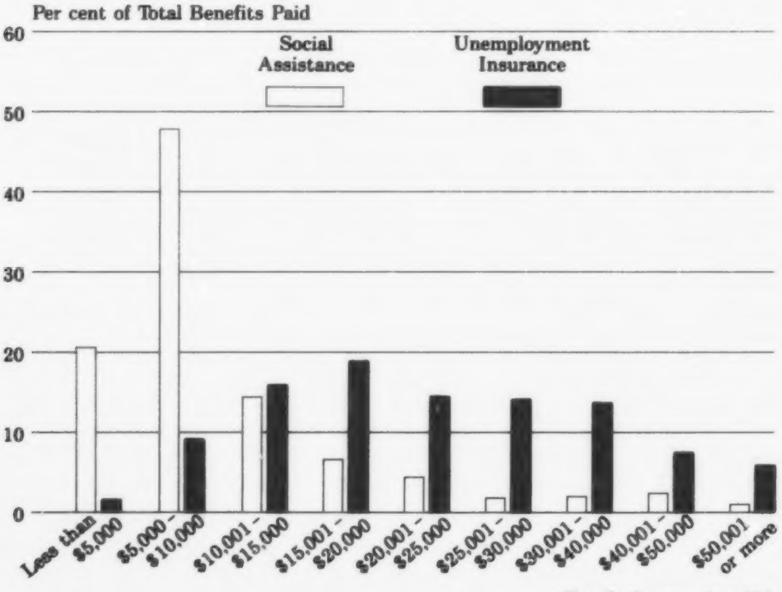
Social Assistance recipients are the non-employed: people who cannot, or do not, get the 10 weeks of paid employment (20 weeks for new qualifiers) required for UI. The level of assistance paid to these people in Newfoundland is less than in most Canadian provinces and well below Statistics Canada's low-income cut-off lines, defined as income so low that people have to live in straitened circumstances. The cut-off lines vary according to family size and size of community, and these cut-offs are lower in rural areas. According to the Statistics Canada definition, 23.0 per cent of families and 45.1 per cent of unattached individuals in Newfoundland were poor in 1984, compared to 15.0 and 38.4 per cent respectively in Canada. The percentage of poor families in Newfoundland has increased markedly from 15.8 per cent in 1977 (See Table 6.23). Social Assistance allows its recipients to survive, but at a level below the Statistics Canada low-income lines. This is clearly demonstrated in Figure 6.6. It is also worth noting that many households do not apply for Social Assistance even though they have such low incomes that they qualify for it.

Despite the rapid increase in unemployment since 1980, and the higher incidence of poor households and individuals, the number of Social Assistance recipients has increased by only 6.9 per cent, from 50,400 in 1981 to 53,300 in 1984. This compares to a 33.6 per cent increase in Canada as a whole. Why has the Newfoundland increase been so low? There are two reasons. The first is that, as part of its financial restraint programme, the provincial government has been limiting expenditure increases in social services, including Social Assistance. Officials have been more disposed to help applicants with families to support than to help the single, able-bodied unemployed. In its public hearings and back-up research, the Commission heard a lot of criticism of the Social Assistance system. Those supported by it complained not only that their level of support was too low to provide properly for their children, but also that they felt keenly the indignity of continually having to justify themselves to government officials. Young, single Newfoundlanders who could not find employment, but who were ruled ineligible for Social Assistance, were bitter that pregnant girls and single mothers qualified for support while they did not:

Figure 6.6

Distribution of Benefits (Social Assistance and Unemployment Insurance), by Family Income Categories

Newfoundland, 1982



Source: David P. Ross, "Report on the Income Security System in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment 1986.

> It's been mentioned tonight about the Social Service – the priority that they're giving to people when giving out jobs. Well, I am getting unemployment, $77 a week, which is very small and I have a husband and two children who have to live on this. My husband's unemployment ran out the 14th of March and we applied to Social Assistance for assistance to go with my unemployment and because we were married, we had to wait six weeks for assistance to subsidize my unemployment. But if I was living common-law or an unwed mother, I could go to a Social Service a day after and get the assistance, which is not right. I think, as far as I'm concerned, the government or Social Service Department is paying people to live common-law, to be unwed mothers, paying them to go out and have children. So, another idea is that they're paying married people to separate as far as I'm concerned, because as myself, living on $77 for the four of us in the family, what more can you have – only trouble in a home and this is what causes marriage breakups, which thankfully is not happening in our home. So, that's one of my concerns, is I think government should get their priorities straight in the family business.

The second reason why the number of Social Assistance recipients has not been increasing rapidly in Newfoundland during the recent recession is that the provincial government has introduced its own make-work programme, Employment Opportunities. To understand how this works, we need to locate it in the context of what has become the main mechanism for coping with unemployment and underemployment in Newfoundland society, the UI make-work system.

The UI Make-Work System.

Rather than Social Assistance, the UI system has borne the main brunt of providing basic income security in Newfoundland during the recent recession. Two techniques have been developed to maximize the number of people that qualify for UI benefits. The first is informal job sharing at the community level. Since jobs are so scarce, employers come under pressure from the community to qualify as many people as possible for UI. Although not always or strictly adhered to, the informal rule is that once someone qualifies, he or she should be laid off and someone else hired until that person in turn qualifies. The technique is used in local shops and service establishments and also in seasonal inshore fish plants. It explains why the number of people employed in fish processing continued to increase in the 1980s even though plant capacity and output levelled off (See Chapter 5). It also explains why the average number of weeks worked by the Newfoundland labour force has declined and the number of weeks of UI recipiency has increased. This pattern of short periods of employment followed by longer periods of unemployment (with benefits equal to 60 per cent of income received while employed) has covertly become the main form of income security in Newfoundland. As Table 6.24 shows, UI payments have soared from $114 million in 1974 to $499 million in 1984. Furthermore, this system has received tacit approval from both orders of government.

The second technique for maximizing the number of people who qualify for UI is through government-sponsored job creation programmes, known locally as 'make-work'. In the early 1970s the federal government, through CEIC and its predecessors, instituted a series of short-term job creation programmes. Initially, these programmes were meant to give seasonal workers a chance for some employ-

Table 6.24
Total Unemployment Insurance Benefits and Proportion Consisting of Regular, Fishing and Other Benefits[1]

Newfoundland, 1974—1984

	Total Benefits ($ Thousands)	Regular (Per cent)	Fishing	Other
1974	114,334	93	4	2
1976	183,007	93	4	4
1978	251,493	89	8	4
1980	265,484	83	12	5
1982	384,143	84	11	5
1984	498,881	83	11	5

[1] Other benefits include Maternity, Sickness, Retirement, Training, Work-sharing, Job-creation and Adult Occupational Training Act benefits.

Source: Newfoundland Statistics Agency; Statistics Canada 73-001, 73-202.

ment in the off-season and to give longer-term unemployed people an opportunity to keep up their skills and practise good work habits. As high rates of unemployment persisted, however, these programmes came to be relied upon more and more as primary employment sources through which individuals could qualify for UI. By getting 10 weeks on a make-work project (20 weeks for first-time recipients), an individual could qualify for UI benefits for 43 weeks, thereby ensuring basic income security for the year. These programmes have increased in importance over the years, with the number of short-term jobs created rising from 4,800 in 1974-1975 to 19,300 in 1984-1985. From 1975 to 1983, CEIC spent $288,603,892 on job creation projects in Newfoundland.

The provincial government, through the Department of Social Services, began its own job creation programme in 1977. The programme is geared specifically to Social Assistance recipients who are funded by the province to work on short-term projects until they qualify for UI. The official aim of the programme is to give labour-market experience to people who would otherwise have little opportunity for paid employment, in the hope that this would be a stepping-stone to their re-entry into the regular labour force. Many underprivileged Newfoundlanders, who have found work under this programme, view it favourably. It gives them somewhat higher incomes but, more importantly, it also gives them a chance to move up, in the eyes of the community and in their own self-estimation, from the status of welfare recipient, which carries a stigma, to that of UI recipient, which does not. The programme is a source of some social dissension, however – unemployed and needy Newfoundlanders who are not on Social Assistance resent it when welfare recipients are given job opportunities denied to them.

Unofficially, the Employment Opportunities programme also serves the fiscal interests of the provincial government by getting people off the Social Assistance rolls, which are funded 50/50 between Newfoundland and Ottawa, and on to the unemployment rolls, which are fully funded by Ottawa. The programme has also expanded rapidly in the 1980s and helps to account for the fact that the number

Table 6.25
Ratio of Jobs Created in Job Creation Programmes to Persons Employed at Some Time During the Year

Newfoundland and Labrador, 1978—1984

Year[1]	Persons Employed[2]	Jobs Created			
		CEIC[3]	Social Services[4]	Total	Ratio
1978	230,000	6,500	1,500	8,000	1:29
1979	232,000	6,700	1,300	8,000	1:29
1980	246,000	8,600	1,000	9,600	1:26
1981	—[5]	7,650	1,900	9,550	—
1982	247,000	13,250	1,500	14,750	1:17
1983	250,000	14,300	4,900	19,200	1:13
1984	258,000	19,300	8,400	27,700	1:9

[1] For the CEIC projects, the figures given are for the fiscal years 1978-1979 to 1984-1985.

[2] At some time during the year.

[3] The programmes include Canada Works, Summer Canada Works, Career Access, Fisherpersons Program, Section 38, Summer Employment Experience Development (SEED), New Technology Employment Program, Local Employment Assistance and Development (LEAD), Canada Community Service Projects (CCSP), Local Employment Assistance Program (LEAP), Canada Community Development Projects (CCDP), Local Initiatives Program (LIP), Summer Youth Employment Program, Young Canada Works, Local Economic Development Assistance (LEDA) and New Employment Expansion and Development Program (NEED).

[4] Figures correspond to the number of persons employed under the Employment Opportunities Programme of the Department of Social Services.

[5] The Annual Work Patterns Survey from which these data were derived was not conducted in 1981.

Source: Based on data from the Canada Employment and Immigration Commission; Government of Newfoundland and Labrador Department of Social Services; Newfoundland Statistics Agency.

of Social Assistance recipients in Newfoundland has not increased dramatically during the recent recession.

As Table 6.25 shows, the proportion of Newfoundlanders who depend upon make-work projects has been increasing during the 1980s, to the point where it constitutes a significant proportion of the total number of persons employed at some time during the year. The system has created an insidious dependency upon government programmes which is now firmly entrenched in the social and economic fabric of many Newfoundland communities. The federal government has recently introduced changes in its job creation programmes through its new Canadian Jobs Strategy, and the UI system is under critical review by a federal Commission of Inquiry. In the view of this provincial Royal Commission, changes in both these programmes need to be thought through very carefully, particularly with respect to the Newfoundland situation, since we are more dependent upon these programmes than most regions of Canada. We will present a critique of the UI make-work system in Chapter 12 and make several recommendations for improving the income security system. First, however, we wish to turn from statistics and analysis to catch a sobering glimpse of what chronic unemployment and inadequate incomes mean in the daily lives of too many Newfoundlanders.

IV. The Human Face of Unemployment

> *People tend to look at you differently when you're not working or because you are working and not making enough money to do all the things working people can do. It seems like everybody looks at you differently. Your whole outlook changes.*

Unemployment is a social problem that is experienced as a personal problem. The simple fact that there are far greater numbers of people seeking employment than there are jobs to be had, should help to remove the sense of isolation and diminished self-esteem that the unemployed often encounter. Such is not the case. The dwarfed careers, the reduced income, the lack of prestige and the sense of personal failure which emerge from joblessness are all confronted on an individual level.

It would be wrong to suggest that everyone who does not have a job feels this sense of personal loss. Retired people, parents at home with full-time child care responsibilities, the wealthy person who lives on investment income and the full-time adult student are all jobless but don't 'feel' unemployed. The rural fisherman or fish plant worker, whose work is concentrated into intense activity during the summer season, may be without a job in the winter but has abundant amounts of work to attend to nonetheless. Unemployment means much more than being without a job. Unemployment means experiencing joblessness and having few, if any, alternative resources to generate income, status and a sense of worth.

Despite the fact that people become disconsolate about their joblessness, some unemployed people did attend the public hearings of the Commission to tell their stories in person and we received briefs and submissions from many organizations and agencies which described the problems of unemployment in different regions of the province.

To get a better understanding of the experience of unemployed people themselves, we also commissioned background research that would help to define the human dimension of prolonged encounters with unemployment. As we had access to a recent study on the human face of unemployment in rural Newfoundland conducted for the Community Services Council, and wanted to avoid unnecessary duplication, we concentrated our attention mainly on generating a complementary 'snap-shot' of urban unemployment in the province. More than 50 in-depth interviews were conducted with unemployed people in St. John's. As a check, we supplemented the urban material with some personal interviews with unemployed people in other parts of Newfoundland, which proved to be consistent with the Community Services Council study. These personal case histories provide a chilling reminder of the solitary and embittering impact of unemployment on people's lives.[36]

The only real solution for unemployment is employment. But, given that unemployment will continue for many Newfoundlanders for some years to come, society must cushion the personal costs that people in this province pay for unemployment. By presenting the verbatim transcripts of interviews in what follows, we not only want to convince the sceptic (who thinks the unemployed somehow want to be without a job) that he or she is wrong, we also want to remind decision-makers of the human consequences of their management of unemployment.

> For in losing paid employment so many of the props which normally sustain us are knocked away and it is as though a very large section of our life, as we have known it, is threatened with collapse. It leaves us bereft of a well defined place in the social order. It takes away our life script and an earned income. It severs us territorially from our place of work and socially from sustaining contacts with our former work group. It strips us of our former purposive tasks and the identity which came through our occupational role.[37]

Unemployment as Restricted Poverty

> *I guess the day I got laid off from the job is when I started getting disillusioned about it all. Unemployment is like cancer. They give you a few little things to ease the pain but you know God damn well it's not doing you any good. Sometimes it's just as well not to have unemployment insurance coming in. What's the good of $90.00 a week when you know you can't afford anything?*

In all of the interviews that we conducted with the unemployed, it was the absence of income that dominated people's description of the experience of unemployment. **For most people, unemployment now means a life of restricted poverty.** It is the unexpected bill and the occasional frivolous expenditure that imperils the personal and household budget. The household head who earns something close to the minimum wage, and is then laid off, must endure an immediate and abrupt cessation of income for two weeks while waiting to become eligible to receive UI and must then learn how to survive on 60 per cent of his or her previous income. Such people feel relatively deprived. A separated mother of five children recounts her experience of restrictive poverty due to unemployment as follows:

> *There were days when they had to go to school without any lunch. I would have to phone the principal and tell him I didn't have the food or the money to give them and then they'd give them something in school. That's like now they're in school and they needs new sneakers and Jason's books got to be paid for, and I can't pay for them. You can't get those things unless you got money.*

A 26-year-old unemployed woman who shares a common-law relationship with her seasonally employed male partner:

> *I've had to cut back an awful lot. This is what I find the hardest part. I used to be able to go out and buy what I wanted but now I can't. I don't go out like I used to. I can't afford to go out. I used to go downtown every Friday with my girlfriends. Now I do that probably once every three months and I find that very hard.*

A 25-year-old man describes how restricted poverty causes him to forestall his entry into adulthood:

> *If I had a steady job I'd probably think about getting married. If I had a job and could save a few dollars. I wouldn't get married at the moment, not like this. I'm not working. I hardly got any clothes. No money coming in or nothing like that. If I could only get a job, even 20 weeks, just enough to get my unemployment. At least I'd have a bit of income but I can't even get that. With the*

> *winter coming up now, I haven't got anything, no winter boots or nothing like that, no winter coat. There's nowhere to go when you got no money.*

It is commonly believed that our modern social security system serves as a safety net against abject poverty and destitution. The experience of unemployed people is that, because their poverty is a relative one, their financial insecurity is invisible to those around them. The person who endures prolonged unemployment experiences the incremental collapse of his or her livelihood. The provision of a modest social security system does forestall the abrupt destruction of economic capacity but it also precludes the expression of social and community support, thus resulting in a life of invisible, isolated and restricted poverty.

Our social security system does not provide people with a good standard of living. Cut-backs in UI benefits through experience rating, increased duration of work for eligibility and reductions in benefits paid, would only worsen the experience of restricted poverty. Furthermore, unemployment brings with it much more than financial duress, it brings social and psychological problems as well.

Diminished Self-worth and Social Relations

> *To be unemployed, there's a stigma attached to that. I think that my family thinks it reflects some personal shortcoming, not the economic situation which is very much what I feel is the major factor in this. Sometimes I lie to them and tell them that I'm working when I'm not. I have to because they worry too much. Some of my friends think I'm unsuccessful. They measure success or failure in terms of whether or not you can get a job in your subject area.*

The job we hold is a major social anchor for how we feel about ourselves. Our work provides us with a sense of place in the social order. It serves as the basis for contact with people outside the family. The friends we make at work, the stories we are able to tell our family about "what happened at work today", the frustrations and challenges that we have to overcome on the job, all provide us with the resources to generate self-esteem. Our interaction with the labour force is the dominant way in which other people form judgements about us and how we subsequently come to feel about ourselves. The personal liability that society imposes upon individuals for their unemployment, and the extent to which people internalize these negative judgements, come to form the basis for moral evaluations of individual perseverance, integrity and motivation. A 26-year-old man describes the despair which his joblessness has caused:

> *The biggest changes? You lose self-worth because you're not doing anything. I've noticed a lot of changes in myself. I've become more discontented with everything, more aggressive in my thoughts, just sick of it basically. It's time for this bullshit to end. The best way to sum it up is that I can't wait to die. I can't wait to leave this dimension and go to another one. This is not what I expected. When I was going through school, nobody ever said that you'd be unemployed for 10 years. They told us the Lord will provide. It was all bullshit.*

The stigma of unemployment gets transferred to other family members as well. A 42-year-old man describes how he struggled to prevent diminished self-worth being transferred to his son:

> *When I'm not working, it's harder here at home. A bit more friction here. You can't give the kids what they need. Me and my wife don't get along so good. We fight. It's not so bad the past couple of years but first when I went broke, it was bad. I actually left for two months. Her mother supported us for years. For two years, we were really down, not a thing to eat. Kay's mother gave us $5 every night for gas to take the kids to school and a package of meat for the youngsters for their lunches. For eight nights we had nothing but frozen chips, to the point that Paul, who's 17 now, can't to this day look at a frozen chip. To tell you the truth I hobbled. Only for those few hobbles, they wouldn't have gotten to school in September. You got to give them prestige. You got to give youngsters something to be proud of. You can't send them to school like a dirt bag. It's not their fault.*

Joblessness also ruptures an individual's social relationships and strains relations in the family. The unemployed father in the family slowly comes to be seen more as a sibling, his role as breadwinner having been undermined; the young adult living in her parent's home is perceived as a boarder, the dreams which she and her parents shared for "a better life for the kids" having been squashed; the mother whose kids are grown-up becomes resentful and spiteful as she blames her husband for the fact that she made the sacrifice to stay at home and now has no meaningful occupational role. It is not just restricted poverty which impairs the unemployed person, it is the solitary loss of self-esteem that creates tension, anxiety and eventual passive withdrawal. A 22-year-old single mother of a young son, living with her parents, compares her social relations when unemployed to when she was working:

> *You're depressed most of the time when you're not working. You just live day by day sort of thing. It affects Johnny too. He knows I'm in a grumpy mood and he acts up. After a while you just get into a rut. You feel like going around knocking on doors but it's wasting your time. My sleep suffers when I'm not working. I just yap about everything and everyone, simple things. I'm grouchy a lot. When I'm working, I feel different about myself. My mind is occupied and I'm doing something. It just makes you feel better. And when you're out working you meet new people. When I'm not working and I meet someone for the first time, if they ask me what I do, I feel like sinking down in the chair. Sometimes I just walk away from the person and avoid them or change the topic. Other people seem to talk to you more when you're working.*

A 31-year-old married man tells how unemployment impairs his relations with his wife, friend and parents:

> *I don't know what it's like for me and my wife to go out and enjoy ourselves. We haven't been out together in years. We can't afford to go out and we can't afford a baby-sitter. We went out a lot before. We used to take the kids into the drive-in and once a month, we'd get her mother up to baby-sit. We used to go out at least three times a month. We were happier and we were contented. Now, she drives me cracked and I drives her cracked but I know why, it's because we're always together and I'm stuck home all the time. That's half of why all the divorces are on the go. I got a good buddy and he got a few dollars. He comes up here with a half dozen of beer and I like a bottle of beer but the next day I'll come back and he's here and I haven't got the money to buy him one back.*

> *What you do, you try to keep away from him. No I don't want any beer, I don't want this and I don't want that because I know I can't give it back to him. . . . I can't go out to the house to visit Mom anymore because when I do she's hauling tins of milk out of the fridge and giving it to me and stuff like that. I feel like I'm taking food out of their mouths so it's better for me not to go out there at all.*

It is not our intention to suggest that everyone who experiences unemployment will be psychologically impaired. Those people who encounter what the economists call 'frictional unemployment' (short intervals of worklessness between jobs) will have no necessarily diminished self-worth. Rural residents, who have access to status-providing work activity on the house, in the woods and in the garden, are partially protected against some of the damaging effects of joblessness. In general, the longer the duration of unemployment, the more severe and enduring the psychological costs that are borne by the individual and his or her family.

Isolation and Timelessness

> *It takes every bit of life out of you. Since he has been out of work, he lost every bit of self-confidence and every bit of everything. It brings you down to the lowest level. You got no respect for yourself anymore. You feel useless. It's a hard road.*

The absence of work represents a personal, social and economic loss that immediately translates into a sense of timelessness and for many people, especially over an extended unemployment period, a life of isolation.

For those people who lose their jobs unwillingly and unexpectedly, the early stages of unemployment are generally characterized by shock, disbelief and confusion. After the initial unemployed 'holiday period', which tends to be short lived, people start thinking about how to pass the time. But projects to replace the regular, purposeful activity of paid work are practically impossible to develop without the necessary resources and incentives.

Some of our unemployed people take on new roles or engage in informal, nonwage work and a few develop new skills, but many are bored and frustrated because "the time is so long" and "there's nothing to do and nowhere to go". No two people react uniformly to unemployment because reaction depends on individual personality and circumstance. However, a sense of timelessness is a shared consequence. It intensifies as length of unemployment increases, as all the odd house repairs get done, as kids start to explain their deprivations in terms like "Daddy doesn't have a job", as relatives and close friends resent the burden, as young men and women lose their vision of the future and, most importantly, as the unemployed lose faith in themselves. The individual and his/her family readjust their life-style to accommodate different standards and expectations. Weekdays become indistinguishable from weekends and the television often becomes the only source of distraction. There is a tendency to isolate oneself from social activities and relationships outside the family and in some instances, individuals cut themselves off from relationships within the family. A 42-year-old woman tells the consequences of job loss for her husband:

> *It got to the point where John wouldn't go nowhere. He felt so degraded and afraid someone would say 'are you working or what?' You avoided people. John even stopped going to family parties. Now that's not John because he loved going and having a good time. He used to be the life of the party and he changed to the point that he wouldn't go anywhere. That'll tell you what it does to you over a long period of time.*

A 20-year-old young woman describes how time weighs heavily on her:

> *I feel exactly like a bum. I feel useless. It's just getting out of bed at 2 [pm] and sitting around and it's 5 o'clock by the time I've washed my hair, had breakfast and cleaned up the dishes. You got no schedule. You just do everything whenever you feel like it. I'd like to have a busy schedule from the time that I get up in the morning until the time I go to bed but I don't. I just sit around all day long. I smoke more. There's nothing to do but sit down and smoke. Dad rolls them and I smoke them.*

A 34-year-old man, married with two children, describes how embarrassment about being unemployed led to self-imposed isolation:

> *Everything definitely changes when you're unemployed. People tend to look at you differently because you're not making enough money to do all the things working people can do. When I was out of work for a full year, I got to the stage that for me to get in the car and drive somewhere, I had the feeling that everyone was staring at me. Especially people in the neighbourhood, you feel they're saying 'Jesus, he hasn't done a damn thing all year'. That gets to you. It got to me. I didn't want to go out of the house.*

A sense of timelessness is inevitable given the routine and order of paid employment and, depending upon one's social network, isolation becomes a reality for many unemployed people. In rural communities, social networks are generally strong and are often structured around collective activities like fishing, hunting, cutting wood, repairing homes and vehicles. This allows unemployed individuals and families to have employed people as part of their primary reference group and this, in turn, mitigates their social isolation. Urban living is not so conducive to shared non-market economic activity. The majority of the population is organized around rigid time schedules, consumer competition and year-round employment. Social isolation is a major problem for the urban unemployed.

Social and Psychological Problems

> *You feel better when you're working. There's a lot of people today committing suicide and everything because they just feel no damn good. I went through an awful time myself. It's no easy life. It's a big strain and as far as committing suicide, I wouldn't look at that but if unemployment runs out, there's only welfare. I'd rather be dead than be on that. What are you supposed to do if you can't find work?*

Newfoundland has both the highest rate in Canada of unemployment and, in most cases, the lowest rates in Canada of social problems like crime, juvenile delinquency, mental illness and divorce. To the casual observer this might suggest that there is no association between being unemployed and being vulnerable to social problems. Across the industrial world there is, however, mounting evidence to suggest that unemployment, because of the restricted poverty which it causes, contributes to an increase in social problems and results in higher death rates for the unemployed from stress-related illnesses. A famous American study concluded as follows:

> At the same time this study reveals that unemployment has a strikingly potent impact on society. Even a one percent increase in unemployment, for example, creates a legacy of stress, aggression and illness affecting society long into the future . . . the cost of the sustained 1.4 percent rise in unemployment during 1970 is at least $21 billion . . . . These costs represent resources lost or diverted from productive use. They represent wealth never to be realized, lost forever to our economy and society. They, in part, measure the human tragedy of unemployment. But most significantly, their loss could have been avoided.[38]

Social problems in Newfoundland have yet to reach the proportions that might be expected in a society with such a chronically high rate of unemployment. The prominent role which the family still plays in our lives, the fact that we are a fairly homogeneous people sharing common ideas about what is right and wrong and the controlling influence which a small tightly-knit society exerts upon individual conformity to community expectations, all serve to limit the incidence of social problems here.

Nevertheless, among those who come to be defined as 'criminal' in our province, the overwhelming majority are unemployed. A brief presented by the John Howard Society of Newfoundland to the Commission confirms the correlation between unemployment and crime. They reported an in-house study that categorized 73.1 per cent of a sample of 172 residents who resided at Howard House – a community residential centre for adult, male ex-offenders – from April 1977 to May 1981 as having either a 'poor' or a 'very poor' employment history. The Newfoundland Association of Social Workers, in their submission to the Commission, commented on their members' observations of the social consequences of unemployment:

> *Increased economic stress often leads to marital problems; many couples seeking out services find that their relationship is under severe strain because of the many changes the family must adapt to following unemployment. Children are affected by this and it is not uncommon to find academic difficulties as well as more serious reactions such as anti-social or delinquent behaviour. The fact that Newfoundland families are still the largest (3.8 persons average – update from the 1981 census) in Canada, increases the economic stress when the breadwinner becomes unemployed.*

Given the strong informal pressures for conformity in Newfoundland society, we would expect that the personal stresses resulting from unemployment are far more likely to be manifested on a personal rather than a social level. Rather than the restricted poverty of unemployment leading to more crime, it results instead in more emotional problems, more alcoholism and greater family stress. The Canadian Mental Health Association (Newfoundland Division) expressed a similar sentiment in their submission to us:

> *In a province where the economy and economic issues are so closely interrelated with the concept of mental health and human well-being, it is inconceivable that the two can be considered as separate or apart. Employment, or the right to be a contributory, self-determining member of society, with equitable financial remuneration is perceived as being inherent to the complete development of any human being.... A cause and effect relationship does exist between the economic concerns and those of mental health. For the person who has had no history of psychiatric involvement, economic and employment issues are often the ones that initiate the individual to psychiatric services.*

A 29-year-old woman explains how unemployment is affecting her husband's personality and behaviour:

> *He's up all night long just thinking about how we'll manage. I've noticed he's a bit harder to get along with. He's snappy and stuff at certain times. And he drinks more. That's usually what he turns to. And he's smoking three or four packs a day. That's twice as much as he used to smoke.*

An unemployed 48-year-old man describes the pressures on marital life:

> *Eventually, the two of them gets fed up with each other right, it never happened to me yet but you never know, it could come any day right. A man and woman sit in the house day in and day out, week after week, month after month, year after year, looking at one another, who wants that? I don't want it, she don't want it, you got nowhere to go, where are you going to go at? You can't go nowhere, you can't do nothing, really it's not much you can do about it. Eventually you get fed up with one another looking at one another day after day, etc., people talk about husbands leaving wives and wives leaving husbands. They got no other choice. They just gets fed up looking at one another and you know, one or the other walks out and are gone.*

While our crime rate is low now, there is a danger that our young people, who have the highest rate of unemployment, will feel less adherence to the bonds of conformity, having had fewer experiences with the self-discipline and self-regulation which working requires. Many young people, because of their unemployment, will take on the responsibilities associated with adult status later in life. In their submission to the Commission, the Newfoundland and Labrador Association of Youth Serving Agencies described the problems of youth unemployment in the following way:

> *Again, I might add, these are issues presented to us by our membership. The problems that we have identified which we believe are particularly serious and appear to be universal amongst our youth are: alcohol and drugs; teen pregnancy; high school drop-outs; inadequate career counselling; and the impact of high technology. If we were to stop and think momentarily about these problems, we can see a link between each of these, and that is youth unemployment.*

The high rate of unemployment is already causing significant personal problems within our population, and research in other industrial countries shows that the stress experienced through unemployment has adverse physical and medical consequences. It is worrisome to think that the high rate of unemployment among our young people may result in our gradually changing from a civil and congenial society to one which is fractious and divisive.

Unemployment and Attitudes Towards Work

Undoubtedly, some people fit the stereotype of the unemployed person who does not want to work. But our research indicates that, despite the burdensome economic and social costs which the unemployed endure, and despite the temptation to become passively resigned to joblessness, most people keep trying. Most of the unemployed in this province want to work. A 42-year-old unemployed man declares:

> *I love work. I'd do anything. I'd clean septic tanks. I'm not proud. There's nothing I wouldn't do. If a bird shit on the wires, I'd go up to a ladder and take it off. . . . I have to work; if not, I'll crack up.*

People want to work not just for money but also for the sense of self-esteem and self-worth that it provides. As a 26-year-old unemployed man put it:

> *Dignity is the only reason that I can see. Also so you don't get bored. That's it. It's no sense saying that I work for the money because you don't get enough money to work for. No. Not anymore.*

Social Costs and Social Responsibilities

> If unemployment is not going to decline in the near future (and the main questions are where, how much and how fast it will increase), the debate needs to be about how the work that is available should be distributed, and how those excluded from any meaningful economic activity should be treated. We need to discuss the principles of justice and equity that should apply in the allocation. The present ways of sharing out what work there is, and the changes people will allow to alter that allocation, largely reflect the dominant values and the choices tolerated by those holding significant power in society. Any proposals to distribute economic opportunities more evenly, let alone to provide work for all, are bound to challenge established assumptions and the prevailing patterns of the distribution of work if they are to be of any real help to those now unemployed and the many others likely to lose their jobs in the future. Even a fairer distribution of the jobs there are will threaten the vested interests of those who have managed to achieve greater security and privilege.[39]

There are faces and real human experiences behind the monthly unemployment rates released by Statistics Canada. In presenting the experiences of some of the unemployed in this province, we have tried to establish that there are personal, economic, social and psychological costs paid by individuals for what is a societal problem. Given that unemployment will persist as a problem for many people, we believe that governments, business, volunteer organizations and individual workers have a responsibility to help their fellow citizens afflicted by unemployment.

In Canada, the federal government has attempted to redirect essentially stable levels of expenditures which it had formerly used for short-term job creation, and invest them in a more focused way on labour-market efficiency through the Canadian Jobs Strategy. It has ordered a Commission of Inquiry on Unemployment Insurance to seek new suggestions on how to introduce greater efficiency and equity into the UI programme.

In Newfoundland, notwithstanding the establishment of this Royal Commission, there is as yet no clearly stated policy on employment and unemployment. Other than the recent participation by the province in the Canadian Jobs Strategy, and the expansion of the Department of Social Services Community Development Program to provide short-term work for social assistance beneficiaries, most government departments have no formulated employment policies.

Other industrial nations have taken steps to cope with the unemployment problem of the 1980s. In Sweden, the national government allocates at least three per cent of its Gross National Product to anti-unemployment measures such as public works projects, subsidies to the private sector to prevent planned lay-offs and accelerated training for the unemployed. In the Republic of Ireland, the government has cut the work week by eight hours (from 48 to 40 hours) and banned workers from holding more than one job. In Belgium, an innovative '5-3-3' programme has been introduced whereby the existing work time has been cut by five per cent, wages cut by three per cent and net employment increased by three per cent. Employers in Belgium are also required to contribute 1.5 per cent of their total wage bill to a job creation fund. In France, through negotiations at their Commission Sociale, workers with three years' experience are now permitted to take one year's sabbatical leave as well as receive time off to start their own businesses. West Germany has instituted an Early Retirement Act and is placing priority on its problem of youth unemployment. In most of these cases, it is still too early to determine what the enduring costs and benefits of these measures will be. What is important is that imaginative new solutions are being tried. There is, in most of these countries, a fundamental recognition that unemployment is a societal problem requiring social costs to meet social responsibilities.

Any new measures adopted to deal with the economic, social and psychological costs of unemployment in a socially responsible way in Newfoundland must, in our judgement, flow from three fundamental assumptions. First, it must be recognized that there will not be enough jobs in the province to provide employment for all of those people who desire to work, for some time to come. Second, unemployment can be alleviated partly by sharing available jobs more widely among the labour force. Third, our society has a responsibility to share income and sources of status between those who are working and those who are not.

Of primary importance is the requirement for an incomes policy which provides individuals and families with the security of a decent minimum standard of living. This issue will be addressed in Chapter 12. Our governments, public education institutions, private industries and people will also have to help remove the barriers to self-esteem and self-worth that are created by prolonged joblessness. This will be no easy task. The chronically and seasonally unemployed should be provided with incentives to participate in our post-secondary education institutions through the provision of accelerated entry-level training and the opening of our university, our community colleges and our other training institutions to the unemployed. Whether this incentive be in the form of deferred or forgiven tuition for the unemployed, supplements to income security in order to attend post-secondary training, or other innovative mechanisms, those who are jobless need the opportunity to improve their employment skills through training and thereby enhance their ability to feel that they are making a contribution to society. In a society where high rates of unemployment have become endemic, it is essential that we recognize the right to useful unemployment and recognize that the costs associated with this are the responsibility of us all.

While increased access to education and training is one way to provide this, there are other important sources of security and status that can be provided for the unemployed. In Newfoundland, pride in home ownership is very strong. The very high rate of home ownership serves as a crucial hedge against the complete economic and social collapse of households which experience prolonged joblessness. Our governments have been imaginative in their housing policies through the Residential Rehabilitation Assistance Programme (RRAP), Continuing Co-operative Housing and other programmes designed to maintain this inherent advantage in our society. To the unemployed person, the home can become the primary capital and social stock with which to resist the income loss and demoralization of unemployment. We believe that innovative approaches to preserving this important societal and personal asset should be continued and expanded with the special targeting of programmes to the unemployed.

We have noted, as well, that many of the unemployed people with whom we spoke reported receiving help from friends and family. This assistance was often through non-cash contributions such as groceries, clothing and other support and was generally provided by individuals who were only marginally better-off than the unemployed. This type of informal, non-market support is central to the cohesive culture and tradition of this province. Our voluntary organizations should build upon this strength and develop innovative systems of non-market barter and exchange for services among the unemployed, as well as between the jobless and those who are employed. Mutual Aid societies can be developed, whereby the generosity which already exists between people in our province can be given the opportunity for full expression. The generosity of relations and neighbours should not be discounted because it is informal. Greater use of such channels for assistance as Mutual Aid societies would make it easier for government to develop a mechanism whereby tax concessions to donors could be issued and informal assistance publicly encouraged.

Governments have to take the lead in ensuring that there is a greater distribution of public and private sector employment. The planning which is done for public sector employment ought to take into consideration the problem of unemployment in the province. Our governments should begin experimenting with different types of work-sharing. For example, existing public service employees could be allowed to have three years' salary paid over four years, while taking one year's sabbatical leave after three years' service, as is presently being done in the Avalon Consolidated School Board. New public service employees could be hired to work for four days instead of five, with a commensurate reduction in earnings, until they became eligible for the aforementioned sabbatical leave option. Employees who can make suitable individualized work-sharing arrangements should be encouraged to develop personalized systems of job sharing. These, and other, work-sharing experiments within the provincial public service could be developed, co-ordinated, managed and evaluated through the Public Service Commission. Other public institutions and private industry likewise should be encouraged to participate in innovative work-sharing arrangements. Restrictions on overtime, shorter work weeks, job-sharing provisions and voluntary early retirement schemes should all be fostered. In the absence of a dramatic change in the province's economic circumstances, it will be largely through the planned redistribution of existing and new employment that the severity of our unemployment problem will be diminished.

We have argued that our public and private institutions, our volunteer organizations and the citizens of our province generally have to provide more resources and use greater imagination in shouldering the social costs of unemployment. The choices involved in doing this are not easy ones. In a province where, at any given time, 25 per cent of the people are out of work, it is clear that joblessness is a societal problem and not just one to be borne by the unemployed and their families. The human costs of joblessness are considerable and they need to be shared by us all.

Recommendations

The provincial government, with the support of public and private employers in the province, should foster employment sharing through measures such as the following:

- *encouraging job-sharing arrangements within government, other public institutions and the private sector, such that two people can share a single job;*
- *allowing employees to have three years' salary paid over four years with one year's sabbatical leave after three years' service;*
- *developing a voluntary early retirement scheme in the public service and encouraging other public and private sector employees to develop such schemes;*
- *encouraging a maximum number of, say, 200 hours of overtime that an individual can work during any twelve-month period.*

Special programmes, possibly administered through the Canadian Jobs Strategy, should be instituted to encourage the unemployed to further their education and training during their spells of unemployment. These programmes should include the waiving of tuition costs and/or the provision of income support payments to cover education and training costs. Unemployed individuals should not be precluded from earned unemployment benefits because they are pursuing post-secondary education.

To promote self-reliance and support self-esteem among the unemployed, programmes such as the Residential Rehabilitation Assistance Programme and co-operative housing should be expanded and new programmes should be introduced to help the unemployed own and maintain their houses for themselves.

People who now provide informal financial support to the unemployed should be allowed to do so through Mutual Aid societies that would make such contributions eligible for income tax deductions.

Notes

1. Jean-Michel Cousineau and F. Vaillancourt, "Investissement en Formation Universitaire et les Disparités Régionales dans la Scolarité et les Revenues au Canada", Institute of Public Affairs, Conference on Regional Development in Canada, Halifax, October 1985. For the broader historical perspective, see D.G. Alexander, "Literacy and Economic Development in Nineteenth Century Newfoundland," in E.W. Sager, L.R. Fischer and S.O. Pierson (compilers), *Atlantic Canada and Confederation: Essays in Canadian Political Economy*, (Toronto: University of Toronto Press), 1983, pp. 110-143.

2. Lenora Perry Fagan, *Report of the Elementary Standards Testing Program 1984* (St. John's: Department of Education, 1985), p. 10.

3. *Report of the Task Force on Child Care* (Ottawa: Status of Women Canada, 1986), p. 127.

4. These are the findings of a study done by C. Weber, P. Foster and D. Weikart, "An Economic Analysis of the Perry Preschool Project", *Monographs of the High/Scope Educational Research Foundation*, 1978 (No. 4), as cited in *The Report of the Ministerial Advisory Committee on Early Childhood and Early Education*, (St. John's: Department of Education, 1983), p. 66.

5. Mark Holmes, "The Funding of Private Schools in Ontario: Philosophy, Values and Implications for Funding", *The Report of the Commission on Private Schools in Ontario*, (Toronto: Ministry of Education, 1985) and Melvin D. Miller, *Principles and Philosophy for Vocational Education*, (Columbus, Ohio: The National Center for Research in Vocational Education, 1985).

6. Peter Fisher, *Student Aspirations and Attitudes Towards the Revised High School Program*, (St. John's: Institute for Educational Research and Development, MUN, 1985), p. 45; Peter Fisher, *Parents' Views on the Revised High School Program*, (St. John's: Institute for Educational Research and Development, 1985), p. 45.

7. J.E. Cheal, *Investment in Canadian Youth: An Analysis of Input-Output Differences Among Canadian Provincial School Systems* (Toronto: Macmillan Company of Canada Limited, 1963), p. 140.

8. Wilfred B.W. Martin and Allan J. Macdonell, *Canadian Education: A Sociological Analysis*, 2nd ed. (Scarborough, Ontario: Prentice-Hall Canada Inc., 1982), p. 229.

9. Newfoundland Teachers' Association, "Exploring New Pathways", A Brief presented to the Government of Newfoundland and Labrador, May 1986, p. 19.

10. P.J. Warren, "Continuing Education Among Adults in Newfoundland and Labrador" (St. John's: Newfoundland and Labrador Association for Adult Education: 1983), pp. 43-44.

11. The Commission is aware that Statistics Canada generates estimates of labour force characteristics at the Census Division Level based on three-year running averages. These data, however, are reproduced at a cost and clients are required not to pass on the information to other potential clients.

12. Robert H. Hill, *The Meaning of Work and the Nature of Unemployment in the Newfoundland Context*, (St. John's: Community Services Council of Newfoundland and Labrador, 1983).

12. Robert H. Hill, *The Meaning of Work and the Nature of Unemployment in the Newfoundland Context*, (St. John's: Community Services Council of Newfoundland and Labrador, 1983).

13. For survey methodology and results, see Research Associates, "Unemployment Survey: Selected Newfoundland Communities", Background Report to the Royal Commission on Employment and Unemployment, 1986.

14. While Glenwood was chosen because of high unemployment levels, we did not screen out residents of nearby Appleton from the sample. Therefore, the higher employment levels in Appleton have partly cancelled out the higher unemployment levels in Glenwood and the regional pocket characteristics for this area do not show up. In fact, Glenwood often displays characteristics of an above average community in terms of labour force patterns.

15. The Codroy Valley is referred to in the text as a community, but it comprises the several communities (excluding South Branch) which constitute the "Valley" area. It is the only sampling area selected which is not an individual community.

16. For more information, see *Sudbury 2001: Foundations* (n.p., 1983).

17. Wade Locke, "Let's Recycle our Throwaway Communities and Disposable Workers: Policies for Dealing with Mining Communities", Background Report to the Royal Commission on Employment and Unemployment, 1986.

18. Linda Kealey, "Factors Affecting Women's Labour Force Participation", Background Report to the Royal Commission on Employment and Unemployment, 1986; Dorothy Anger, Carmelita McGrath and Sandy Pottle, "Women and Work in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986.

19. LeeAnn Montgomery, *Report of a Study Commissioned on the Problems of Working Women in Newfoundland and Labrador 1981-82*, (St. John's, Newfoundland: Department of Labour and Manpower, Government of Newfoundland and Labrador), 1982.

20. National Council of Welfare, *Poverty Profile 1985*, Ministry of Supply and Services, Ottawa, Ontario, 1985.

21. Newfoundland and Labrador Advisory Council on the Status of Women, brief presented to the Royal Commission on Employment and Unemployment, 1985.

22. *Leaving Early: A Study of Student Retention in Newfoundland and Labrador* (St. John's, Newfoundland: n.p., 1984), p. 60.

23. Ministerial Advisory Committee on Early Childhood and Family Education, *Report on Early Childhood Education*, (St. John's, Newfoundland: Department of Education, Government of Newfoundland and Labrador, 1983).

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25. Labour Force Survey, Statistics Canada, 71-529, 71-001.

26. Labour Force Survey, Statistics Canada, 71-001.

27. Newfoundland Statistics Agency.

28. Gary Cake, "The Young Newfoundland Conservation Corps", and Alanna Hanrahan and Melinda Montgomery, "Youth Unemployment in Newfoundland", Background Reports to the Royal Commission on Employment and Unemployment, 1986.

29. Labour Force Survey, Statistics Canada, 71-001.

30. Newfoundland Statistics Agency.

31. Local Economic Development Information Service, E14, Glasgow, Scotland, May 1986.

32. Cake, "The Young Newfoundland Conservation Corps".

33. Annette Stuckless, "The Employment and Unemployment of People with Disabilities", Occasional Paper for the Royal Commission on Employment and Unemployment, 1986, pp. 2-3.

34. Consumer Organization of Disabled People of Newfoundland and Labrador, Brief presented to the Royal Commission on Employment and Unemployment, October 29, 1985, p. 4.

35. For details on the various programmes and a comprehensive discussion of the issues touched on in this section, see David P. Ross, "Report on the Income Security System", Background Report to the Royal Commission on Employment and Unemployment, 1986.

36. See Annette M. Clarke, "Work and Unemployment in St. John's", Background Report to the Royal Commission on Employment and Unemployment, 1986.

37. Roger Clarke, *Work in Crisis: The Dilemma of a Nation*, (Edinburgh: The Saint Andrew Press, 1982), p. 27.

38. M. Harvey Brenner, "Personal Stability and Economic Security", *Social Policy*, 8, June 1977.

39. Brian Showler and Adrian Sinfield, *The Workless State*, (Oxford: Martin Robertson Press, 1981), p. 225.

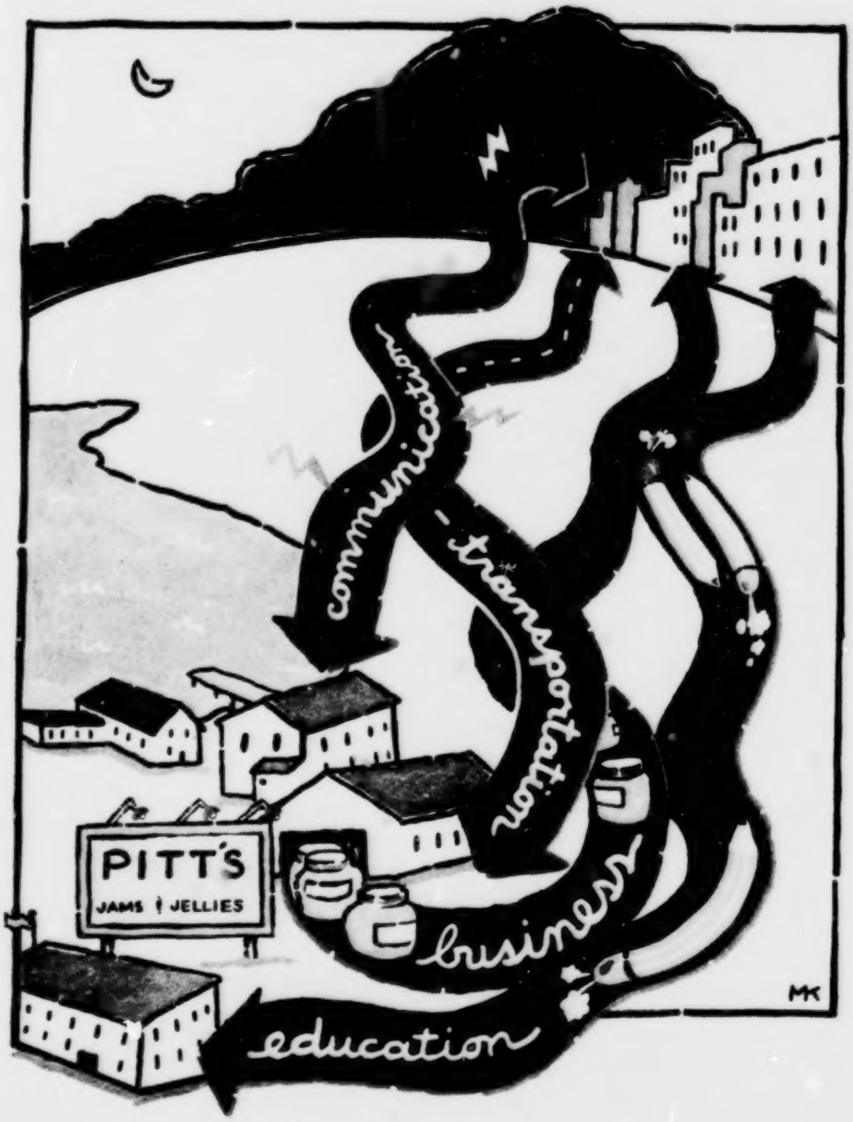
PART III

An Integrated Employment Strategy

While Chapter 5 of this Report contains several ideas for improving the economic performances of specific sectors of the Newfoundland economy, and Chapter 6 addresses the special problems of specific groups of people including the unemployed themselves, Part III takes a broader view of the kinds of changes that need to be made in our major social institutions to support such initiatives. We need changes in our education system; our approach to provincial, regional and community development; our attitude towards, and support for, small enterprise; our income security system, and the workings of our government itself. For best effect, these changes should be complementary and mutually supportive. Together with the specific sectoral changes of Part II, the institutional initiatives recommended in Part III offer an integrated strategy for employment enhancement in Newfoundland.

CHAPTER 7

A Balanced Approach to the Future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In line with the principles stated in the Introduction to this Report, and with the analyses of Parts I and II, the aim of Part III is to propose an integrated strategy for development and employment enhancement for post-industrial Newfoundland. We want to stress the need for realism and for **balance** in promoting a multi-faceted approach to the future. We need a 'made-for-Newfoundland' strategy, but one that eschews both idealistic romanticism about the past and unrealistic expectations about a highly industrialized society. We have to recognize the limitations imposed by Newfoundland's role within Canada, North America and the changing international economy, but we must also recognize and develop our **strengths**, many of which are well-suited to building for a post-industrial future.

Three basic facts about contemporary Newfoundland society serve as our starting point:

1 Newfoundland is an integral part of Canada and North America. We are politically, economically and financially dependent upon central Canada, and we are heavily dependent in our resource industries upon the markets of the United States. For better or worse, we cannot follow an autonomous course, but must get the co-operation of the federal government to implement the kind of development strategy suggested here. There must be strong co-operation between the two orders of government.

2 Newfoundland is a small, open economy on the periphery of North America. Geography, economics and politics dictate strict limits to the kinds of industrial activities that are feasible in Newfoundland. Our resources can only be exploited to the extent that they are needed by the international market, and our own prospects for large-scale manufacturing are limited by our small market size and by high transportation costs. Hence, our strategy should be to maximize those local benefits from resource industries – notably oil and gas – that do establish themselves here, and not pin all our hopes on costly investments in heavy industrial enterprises that hold uncertain promise for long-term stability and success.

3 Newfoundland is largely a rural society. The majority of the population live in small communities of less than 5,000 people. The rest live in St. John's (which is the administrative and service centre for the province as a whole), Corner Brook (the second city, on the west coast of the province) and in resource towns and regional service centres. Newfoundland's small communities, especially the hundreds of outport fishing villages, have shown tremendous resilience and adaptability over the years. They have economic and social strengths that should be built upon in the quest for greater self-reliance. In the balanced approach that we advocate, small communities and the rural economy should be given greater priority than they have received since Confederation, while our cities and towns should continue to grow and provide services throughout their regions.

For too long in Newfoundland we have been pursuing, with stubborn single-mindedness, the dream of an industrialized society. We have been trying to become like North America without recognizing the extent to which we are already North American, albeit in a peripheral and dependent way. We have failed to recognize the limitations of a large-scale industrialization strategy for a small, peripheral province. Instead, we should be paying more attention to appropriate-sized opportunities for provincial development, through policies such as developing tourism by promoting those features unique to Newfoundland, encouraging medium-scale manufacturing and using new technology appropriate to our industries and communities. Part of the problem here is attitudinal. Because we depend upon external Canadian and foreign markets for selling our resources, we have developed a mentality of dependence which includes an export orientation. While we must continue to rely upon our resource exports, we should balance this by also considering the kinds of modest economic opportunities that could be realized in Newfoundland through the production of more goods and services for the local market. This can be achieved through the encouragement of small and medium-sized enterprises suited to the scale of Newfoundland regions and communities. We need to train our people better to become aware of, and to take advantage of, these kinds of opportunities.

Too often, we have failed to recognize the **strengths** of our province and culture, and have therefore failed to build upon those strengths. We have viewed our rural economy as a weakness, as a barrier to development, even as an embarrassment for those who espouse an urban-industrial vision of Newfoundland's future. Newfoundland **has** become partially industrialized, and this has contributed significantly to the rapid modernization that we have enjoyed in the past 37 years. But we still have a major unemployment problem that big industry by itself cannot solve. **We have to bring our developmental strategies into line with the kind of society we are.**

A paradox and a problem for Newfoundland is that our decision-makers and policy-makers all live and work in the only part of our society that is truly urban. Hence, their view of life, even for those who come from rural backgrounds, tends to be urban as well. But, as we saw in Part I, St. John's is more like the rest of urban Canada than it is like the outports. Sitting at a desk in Confederation Building, or in Memorial University, it is hard to appreciate the potential for a different kind of development that exists in our small communities. If we are to achieve a balanced approach to future development, we will need to build on this potential as well as on the industrial potential of the province as a whole.

In pointing out that big industries will not solve our unemployment problem, the Commission is by no means adopting an anti-industrial stance. On the contrary, we believe that industrial opportunities should be pursued wherever they can be competitive internationally and bring real benefits in terms of jobs and government revenues. Oil and gas is our main hope here, but new opportunities can also be expected in mining, hydroelectricity and possibly in the woods industry, particularly in Labrador. One long-term goal of such industrial endeavours would be the greater involvement of local companies in our resource and manufacturing industries: the province should keep this goal in view and should strive to maximize the number of opportunities for local firms to supply goods and services to our large-scale industries. If this is done, industrial development will improve the prospects for small enterprises and thus contribute to the balanced society we envision.

In building on our strengths, we look to the future, not to the past: to a post-industrial, rather than a pre-industrial, society. We cannot go back to the pre-Confederation outport where people had very little cash income, spent long hours of toil in subsistence production, used simple technology, received little formal education, had no local government and maintained a low material standard of living. Whether or not those people were 'poor but happy' is beside the point; their style of life is not appropriate to post-industrial Canada and it is not one to which people now aspire.

The tendency to neglect the outports and let them decay, however, is not appropriate either. We need regeneration in place of welfarism. People in small communities need to have access to income-producing employment, higher education, skills usable in their communities for generating wealth, appropriate technology, strong local leadership, an adequate and appropriate income security system and whatever trappings of a modern life-style they choose. We believe that, with hard work and concerted effort, such a vision can be realized. We think that it is compatible with, and will contribute to, the simultaneous development of the more urban and industrial parts of Newfoundland society. This balanced approach to development requires an integrated strategy, the main components of which are as follows:

- a revamping of our education system;
- a strategy for provincial development;
- a strategy and organizational structure for regional and community development;
- greater emphasis upon, and wider support for, small-scale enterprise;
- a new income security system;
- new emphasis upon the developmental role of government.

These are the six pieces of the jigsaw puzzle which, along with the recommendations of Part II of this Report, must be put together to create an integrated strategy for economic development and employment generation in Newfoundland. By 'integrated strategy', we mean that the puzzle as a whole is more than simply the sum of its parts. The different pieces must fit together so as to form an overall design that cannot be reduced to any particular piece by itself. The six components of the integrated strategy must be mutually compatible and must reinforce each other. The various ways in which this should happen will become clear in the discussions of the following chapters, but a few illustrations will be helpful at this point.

The need to stimulate small-scale enterprise means that the education young Newfoundlanders receive should enable them to try their hand at small business ventures or to participate in the establishment of a producers' co-operative in their community. Schools should prepare people for living and working in small rural communities as well as in big cities. Our institutes of higher education should inform our future teachers and instructors about regional differences. Teachers also need to be aware of the adaptations they will have to make if they are to become educators not only in St. John's and Labrador City, but in Nain and Ship Cove as well. Our business and industrial enterprises in their turn need to become more involved in the education system, both as advisers to school boards, Memorial University and the colleges and as trainers of Newfoundland workers and managers. The world of work and the world of learning should be much better integrated than they are at present.

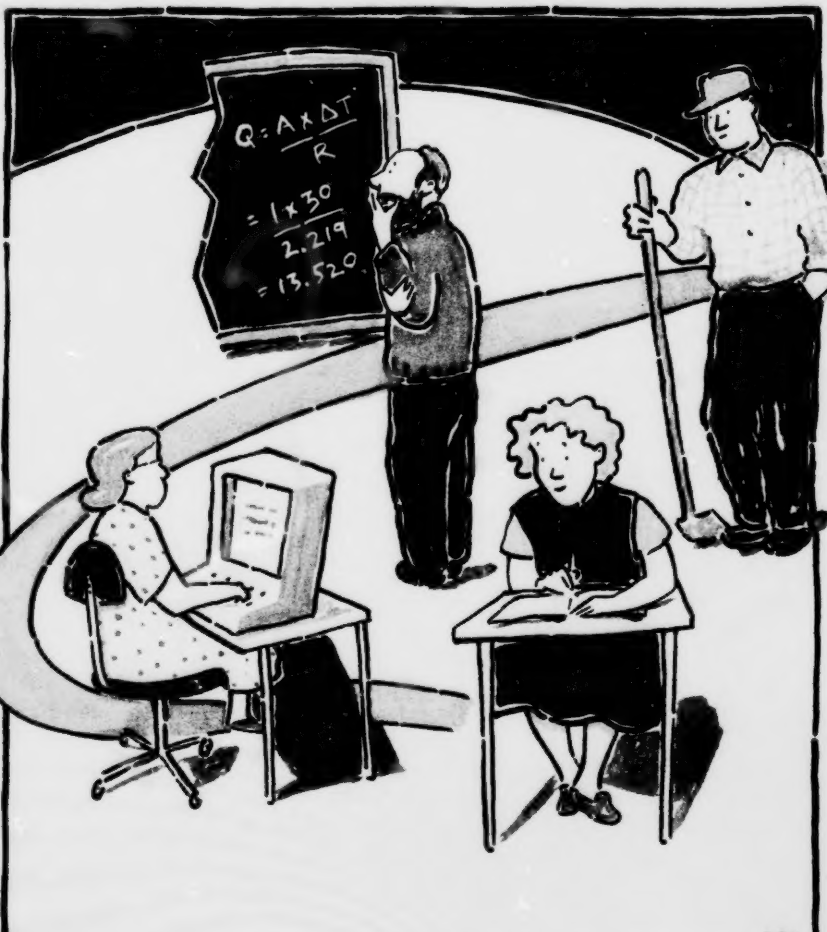
To take another example, the income security system – which now places undue strain for income support in Newfoundland upon unemployment insurance and government job creation programmes – must be changed. The present system militates against local initiative and enterprise, whether it be in the inshore fishery, tourism or new service businesses. The rules governing eligibility for UI and job creation programmes discourage both self employment and the pursuit of further education. Hence, changes in the income security system need to be made which encourage local enterprise and reward education. Changes in all three areas: income security, education and small enterprise must be **integrated** to achieve maximum effect.

We also advocate that the role of government itself be reassessed in terms of its potential contribution to an integrated strategy for economic development. The growth of government, both in terms of regulatory regimes and of bureaucratic offices, has unwittingly been having a dampening influence upon enterprise and initiative. **The regulatory function of government has come to overwhelm its developmental function. This order of priorities should be reversed.** Government officials should take upon themselves the responsibility of seeking out, encouraging and actively supporting enterprising individuals and groups, and even helping them to satisfy regulatory requirements with a minimum of red tape and delay. Newfoundland has a lot of good people working in its public service, but too many of them define their roles narrowly as rule-enforcers and too few take a wider view of their potential contribution to economic and social development. We shall elaborate upon this in Chapter 13.

These examples indicate in a preliminary way what we mean by an integrated employment strategy. Many other illustrations will be found in the chapters that follow. We begin with a discussion of the province's education system and how we think it needs to be changed in order to contribute to the growth of employment and a post-industrial society in Newfoundland.

CHAPTER 8

Education for Employment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All of the recommendations of this Report rest upon one basic assumption: that the population of the province, in rural as well as urban areas, in the fishery as well as service industries, be well educated. As the Commission's work took shape, both in the public hearings and in the background research, the central importance of education became more and more apparent. It soon became clear to us that we had to take a wider view than the request in Section II.4 of our terms of reference, that we "evaluate the adequacy of education and training programmes and institutions in meeting the current and future demands of the labour market". Education and training have a bearing upon every aspect of the Commission's mandate, from communications through regional development to job creation programmes. Representatives of various community organizations, not just education institutions, and many private citizens raised education-related issues at the hearings.

Many Newfoundlanders are very concerned about education and training in this province. They are worried that the high unemployment rate and make-work programmes have detracted from young people's motivation to get a good education, that access to university and other post-secondary education is becoming more difficult for poorer people from remote communities, that the school drop-out rate is too high, that the school curriculum has little meaning for children in rural areas, that teacher training is lagging behind the educational needs of the 1980s, that the vocational school system is outdated and lacks the mandate to contribute effectively to community and regional development and that neither children nor adults in our education institutions are learning enough about sound money management, business principles and the workings of our economic system.

The background research conducted for the Commission, as reported in Chapter 6, supports these popular concerns about education and training. Education is important, more so today than ever before, both for the individual seeking a job and for the society seeking economic development and employment creation. Although ours has not been a royal commission on education and we have therefore not been able to carry out the detailed research and documentation that the subject warrants, we feel very strongly that the Pandora's box of education and training issues raised throughout our work must be addressed. These issues are dealt with more fully in a separate report which has been endorsed by all the Commissioners.[1] This chapter provides a summary discussion of the issues and recommendations included in that report. Our suggestions about education and training reform are essential to the integrated employment strategy that we advocate.

We have identified weaknesses across the whole gamut of our education system, from early childhood education through post-secondary education to adult literacy and continuing education. In general terms, there should be four major thrusts for the next stage of Newfoundland's development in education:

- The level of literacy, the quality of basic education and the school retention rate within the province must be improved.
- Special attention must be paid to improving education levels and opportunities in rural communities, both to enhance people's self-reliance within those communities and to equip them to be competitive in provincial, national and international labour markets.

- Training programmes must be reoriented from specific skills training for industrial jobs to generic and flexible training for the changing range of work opportunities that will characterize the post-industrial era.
- Economic development should be a priority for all levels of our education system.

Each of these thrusts subsumes a number of substantive and policy issues which will be addressed in this chapter. The chapter is issue-focused: we identify issues and make recommendations for improving education and training in the province.

Literacy and Basic Education

Today, we live in a world of rapid technological change, automation and computerization, a world undergoing a transformation from an industrial to a post-industrial society. If Newfoundland is to meet the challenges of this new age, we must become a highly educated people with modern skills and training. The Commission believes that the first priority of the new initiatives in education must be to meet head-on the problems of literacy, school retention and the basic quality of education.

It is now generally accepted by educators that the basic potential for success or failure in school is acquired at a very early age. Children who are not read to at home, who have no books to play with, who do not learn to count before going to school are at a distinct disadvantage when they enter kindergarten. By the time these children reach elementary school, they have become labelled, both in others' eyes and their own, as incapable of doing well in school. They hang around long enough to reach the official school-leaving age, and then drop out to become prime candidates for unemployment and the 'ten-week syndrome'. **One-half of all young people between the ages of 15 and 24 who are living in rural areas and have less than high school graduation are unemployed.** The school cannot be expected to compensate completely for illiteracy in the home, but children from such backgrounds can be given a better chance through early childhood education programmes that begin in the pre-school years (ages three to eight); we are not referring here simply to day care, but to a well-structured early childhood education programme.

Once children get into school, their motivation to succeed depends largely upon the extent to which they find their school work interesting. This in turn depends partly upon the extent to which they find the course material relevant to their daily lives. For poorer families, however, and particularly for those living in small rural communities, there is little connection between what goes on in the classroom and what goes on at home or in the community. For too many rural children, the gap between school life and home life is a chasm; little wonder that the school retention rate in rural and native communities is very low.

This Commission is fully committed to the ideals of universal education. Education should prepare people not just for life in an outport, but for life in a city, in other parts of Canada and indeed the world. Nevertheless, education must begin with the child in his or her own setting, in an environment that is familiar. In Newfoundland outports, this setting is typically one where fishing is the main industry, men build and repair their own houses and boats, women work as homemakers and as seasonal fish plant or service-sector workers and people of all ages spend much time in household production – cutting firewood, fishing, hunting, berry-picking and perhaps some gardening and animal husbandry. What is the connection between such activities and what goes on in the schoolroom? According to what young people told the Commissioners at the public hearings, very little. To make school more interesting for children in rural communities, and thereby to improve retention rates, the curriculum must be made more relevant to their lives and experiences. The school programme should include more courses of a practical, applied nature which are geared to rural life-styles and which can contribute directly to improving young people's self-reliance within their own communities.

Once young people achieve a sound basic education, they will be more self-reliant and able to exploit a greater variety of opportunities. They can stay in their home community and become sophisticated fishermen, go on to post-secondary education in a variety of fields or move elsewhere in search of work and new experiences. Education will not solve all their problems, nor will it guarantee them a job, but it is the first prerequisite for them to become fully participating members of Canadian society.

Contemporary education must also pay attention to the new skills and knowledge required of people in the late twentieth century. We live in an information society in which change is the only constant. Exciting breakthroughs in communications technology mean that Newfoundland outports no longer need be isolated. People do not have to be resettled in order to be part of modern society. But they do need to become familiar with, and knowledgeable about, new technology and this learning process should begin in school. Schoolchildren should be taught the rudiments of communications and information theory; at the least, they should learn familiarity with computers and their uses.

One of the major changes in western societies during recent years has been a dawning realization of the limits of the welfare state. We now know that the state is simply not able to satisfy all the needs of all its citizens. People have to become more self-reliant: they have to rely more upon themselves, their households and their communities to meet their economic and social needs. This in turn means that they have to become more knowledgeable about the way our economic system works and the roles played by its constituent parts: big corporations, banks, co-operatives, small companies, labour unions, development associations and various government agencies. This learning should begin at an early age, continue throughout each child's school career and include basic training in personal financial and household management. And it should instill the spirit of entrepreneurship – the idea that people can initiate small enterprise for themselves – into young people.

Basic ideas about economic self-reliance should be taught in the early years, and the subject developed more fully in the higher grades. The Commission heard mixed reports about the recently revised high school programme. While it seems to be working well for some students, we were disturbed to hear that many of the new courses are not very demanding and that many students, especially the brightest, are finding the programme boring and redundant. Given the new directions that we have been suggesting for the school system as a whole, we believe that it would be opportune to review and strengthen the new high school programme to ensure that it is challenging to all students. To accord with the additional year of schooling required, the school-leaving age should be raised by one year.

While the Commission emphasizes self-reliance, we also recognize that young people need effective guidance and up-to-date information in making their career choices. At present, the guidance counselling system in Newfoundland schools is poorly developed, there is considerable unevenness between regions and the counsellors who are working in the system are so busy coping with the personal and familial difficulties of students that they have little time for career counselling. Career counselling can benefit not only individual students, but also society, by aiding the smooth and efficient operation of the labour market. This depends on career counsellors having accurate and up-to-date information about labour-market openings and trends.

Implementation of all these changes will require strong and co-ordinated efforts by the Department of Education, the Faculty of Education of Memorial University, the teachers of the province and the Newfoundland Teachers' Association (NTA). The Commission hopes that these institutions will support its recommendations for a new direction for education in the province. Teacher education and upgrading must reflect the demanding role teachers should play in promoting community development and self-reliance. Now that it is no longer compelled to turn out teachers as quickly as possible, the Faculty of Education at Memorial University should turn more of its attention to the quality and suitability of its training for the teaching needs of post-industrial Newfoundland.

We conclude this section with several recommendations. If these were acted upon promptly and thoroughly, the Commission believes that literacy rates and school retention would eventually improve, our high school graduates would be better trained and the wide disparities in education between urban and rural areas would be narrowed.

Recommendations

To encourage students to stay in school, the overall quality of the total curriculum must be improved; a much greater emphasis must be placed on developing solid fundamental academic abilities in young people; course content must be more challenging and also be relevant to the society, lifestyles and communities in which young people live.

Priority should be given to establishing a comprehensive early childhood education programme throughout the province, with special attention given to remote and rural areas.

The Department of Education, in consultation with the Newfoundland Teachers' Association, should redesign the primary, elementary and secondary school programmes so that they provide instruction in, and give credit for, skills that contribute to greater self-reliance and successful adaptations to life in rural Newfoundland.

Schools should teach basic computer skills to all students and should be provided with the equipment needed to make this possible.

The principles of economic self-reliance, labour relations and the way our economic system works should be taught at all levels in the education system.

Government should re-evaluate the high school programme in terms of curricula and course content. All efforts should be made to provide an integrated, three-year high school programme which challenges and enriches all students. The school-leaving age should be raised to 17 years.

More counsellors should be made available in our schools. Counselling should involve not just guidance counselling but career counselling as well; the programme at Memorial University should have more emphasis on career counselling, and government should have a formula for allocating counsellors which is separate from that for allocating teachers.

The Department of Career Development and Advanced Studies should be responsible for collecting and disseminating accurate and up-to-date information and statistics on prospective careers.

The Faculty of Education should raise its entrance standards along the lines of the other professional faculties and schools of Memorial University.

Instructors responsible for training teachers should spend time, at frequent intervals, in the school system.

The Faculty of Education should institute a co-operative programme in education similar to that of the Faculties of Engineering and Business.

Specialized required courses which will provide prospective teachers with the requisite skills for teaching in remote and rural areas should be integrated into all teacher training programmes.

Issues such as the objectives of education for Newfoundland, and education for regional and provincial economic development, should be included in teacher training programmes.

Criteria for awarding salary increments and promotion to teachers should be redesigned so as to give credit for teaching effectiveness and for upgrading that contributes directly to improved effectiveness.

Adult Literacy and Continuing Education

It will take time for the changes recommended above to work their way through the system. In the meantime, many adults in the province need more immediate help in improving their education level and thereby their ability to be employed. The proportion of Newfoundland's adult population which is officially literate is significantly lower than the Canadian average, and most rural areas of the province exhibit rates of literacy which fall below the provincial average by a considerable margin. We advocate a provincial campaign for dealing with this most pressing problem.

At present, there are many agencies involved in adult and continuing education, including a division of the Department of Career Development and Advanced Studies itself. The Commission believes that scarce financial and human resources would be better used if all programmes were co-ordinated by the Department, but delivered by specified institutions.

Newfoundland's widely dispersed population creates problems for delivering education and training programmes on site in every community. These are not, however, insurmountable problems. As the pioneering work of the University's extension service and telemedicine centre shows, modern forms of communication, such as teleconference and videotaped programming, provide new possibilities for continuing education in remote communities.

> ***Recommendations***
>
> *Under the direction of the Department of Career Development and Advanced Studies, all education agencies and institutions in the province should develop a co-ordinated programme for improving literacy rates. The fundamental thrust of this strategy initially must be the elimination of the discrepancy between urban and rural literacy rates within 10 years.*
>
> *Government should withdraw completely from the direct delivery of adult education, but should provide the policy framework for improving literacy and for co-ordinating, and avoiding duplication in, all adult and continuing education programmes.*
>
> *Specific institutions should be given the primary responsibility for planning and implementing continuing education programmes, with responsibilities assigned along the following lines:*
>
> - *The College of Trades and Technology - adult training and retraining in non-fisheries and non-marine related areas;*
> - *Memorial University - literacy;*
> - *The Institute of Fisheries and Marine Technology - fisheries and marine-related training;*
> - *Community Colleges - programmes related to regional needs.*
>
> *Continuing and adult education programmes should be delivered in the most effective manner, using modern communications technology. Programmes should be highly responsive to the needs of individuals, communities and institutions, and special consideration should be given to programme delivery in those regions of the province which are remote or isolated, especially coastal Labrador.*

Post-Secondary Education and Training

As we saw in Chapter 6, Newfoundland's post-secondary institutions were established at different times for different purposes, and they have grown at different rates. This has led to overlapping and duplication of some programmes, to gaps in post-secondary education that are not filled by any of the institutions and to a lack of overall planning and co-ordination. We do not really have a system of post-secondary education. But, given the twin pressures of tight budgets and increasing demands for a wide range of programmes, it is time that we rationalized post-secondary education in the province into an integrated, well co-ordinated system.

Memorial University.

Newfoundland's only university (including a regional campus in Corner Brook) is currently struggling, under severe financial restraint, to continue to provide a full range of academic and professional programmes to every Newfoundland high school graduate who meets its entrance requirements. The Commission commends the University's commitment to universal education and recognizes that, in turning out well-trained graduates, it is making a major contribution to employment. Since the unemployment rate is lowest for university graduates, and since Newfoundland lags behind the rest of Canada in the proportion of its population with university degrees, Memorial's first responsibility must continue to be the education of young Newfoundlanders to the university degree level.

Through the School of Continuing Studies and Extension, the University also delivers both credit and non-credit courses to every region of the province. A number of other bodies at Memorial also deliver services from the university to the larger community. Nevertheless, given Newfoundland's very high unemployment rate, the Commission advocates that Memorial University take some new initiatives to contribute more **directly** to the province's economic development.

Although it is helpful to some small municipalities and development associations, the Extension Service as it is currently constituted is not succeeding in bringing the resources of the university to bear upon local development needs. This is not so much the fault of the extension workers themselves (who are low-paid, low-ranking employees with little influence when dealing with their more academic colleagues) as it is a matter of the university's priorities. The Extension Service needs to be strengthened and professors in the various disciplines encouraged to bring their expertise to bear upon local development problems.

In line with many universities in the United States and mainland Canada, Memorial could also be doing more to use the scientific, technological, engineering and business expertise of its faculty to initiate and support economic activities. A Science and Technology Council, composed of Memorial faculty and scientists from other institutions, should be established. The Council would be a forum for initiating new scientific and technological ideas, examining their feasibility and advising government on their implementation. It would also be a centre that people from all parts of the province could appeal to, either directly or through the Extension Service, for assessing the feasibility of inventions and ideas for new development initiatives.

Initiating and examining ideas is only the first stage in the research and development process. We would not advocate that the University or, for that matter, the other post-secondary institutions become directly involved in producing and marketing goods and services. We do, however, believe that they should participate directly in the first stage of this process by giving their support to an 'innovation centre': a place where new ideas and technologies could be tried and tested and (if successful) brought to the point where commercial development was demonstrably feasible. In theory, development would then be turned over to a private business or business co-operative, which might (or might not) be composed of other people interested in establishing their own enterprises. Innovative ideas from people throughout the province could also be tested within the innovation centre. The recent establishment of the Office of Technology Transfer within the University's Office of Research is a step in this direction and would be complementary to this concept.

The Commission hopes that, through such means as the Science and Technology Council and the innovation centre, Memorial University would become more directly involved in the economic development of the province, forging stronger ties with private enterprise, government researchers and the other institutes of higher learning.

The Marine Institute.

The Newfoundland and Labrador Institute of Fisheries and Marine Technology (Marine Institute) was recently moved to a new campus. Its aim is to become a centre of excellence in fisheries and marine technology, an objective that accords with the philosophy of this Commission. We are particularly concerned about the low level of education amongst Newfoundland fishermen, more than half of whom have less than high school education, and we would urge the Institute to give first priority to improving education levels in the fishing industry. It is discouraging that, due partly to the withdrawal of funds by the Canada Employment and Immigration Commission (CEIC), the numbers of people served by the Institute's extension service has declined in recent years. This trend should be reversed, under the Marine Institute's direction, preferably through course offerings from the new community colleges. Recently, the Institute has been having some impact on training needs in the processing and deep-sea trawler sections of the fishing industry. These initiatives should be pursued vigorously in co-operation with both the provincial and federal fisheries departments, the Fishermen's Union and the management of fish companies, both large and small.

The Commission is aware of concerns about the qualifications of instructors at the Marine Institute, and realizes that if it is to achieve its goals it must be given the funding and flexibility to attract well-qualified instructors and to provide upgrading for its present staff. We would also point out that some of the expertise it needs is already available at the University and the College of Trades and Technology. The three institutes of higher learning, all located in geographical proximity, need to work out arrangements for faculty exchanges and for sharing facilities. The Marine Institute and the University could also work out joint degree programmes.

The College of Trades and Technology.

The College of Trades and Technology should continue as the main centre in the province for all trades and technological training that is not directly marine-related. It would have the mandate to keep up-to-date with new technologies and to modernize its training courses on a continuous basis in response both to market demand and to labour-force projections provided by the Department of Career Development and Advanced Studies. Through a 'brokering' or 'contracting out' arrangement, the College would provide entry-level technical courses throughout the province through the community colleges.

The Commission is aware that the concentration of higher-level academic education, technical training and research and development in St. John's might cause resentment in other parts of the province. There are, however, economies of scale and real research advantages to be gained from developing a 'technical core' which cannot be captured elsewhere in our sparsely populated province. As the next section will show, we would hope that the need for greater regional autonomy, to which we are sympathetic, can be met through the proposed community college system. Consideration could be given to changing the name of the College of Trades and Technology to the Newfoundland and Labrador Institute of Technology, to distinguish it from the proposed community colleges.

Community Colleges.

While this Commission was sitting, the province's vocational school system was concurrently under review by the provincial government with a view to changing it to a community college system. The Department of Career Development and Advanced Studies issued a white paper on this topic in June 1985. Rather than go separate, and possibly conflicting, ways the Commissioners and staff involved in education decided to work as closely as possible with the Department of Career Development and Advanced Studies on this issue, as well as on the issue of restructuring that new department itself. The Department was kept informed of our views, and the Commissioners made a verbal presentation to the Premier and Minister of Career Development in the spring of 1986. A brief summary of our views is presented here. A more detailed discussion, including background material on community college systems across Canada, can be found in the Commission's report on education and training.[2]

As we saw in Chapter 6, full-time enrollment in the vocational schools halved from 5,788 pupils in 1975 to 2,427 in 1984, and a 1983 survey found that only 41 per cent of their 1982-1983 graduates were employed while only 19 per cent of the total were in the trade for which they had trained. Two problems have plagued the vocational school system. Set up originally to train Newfoundlanders for specific construction and industrial skills, they have continued to offer specific-trades training although the related industrial and infrastructural booms have ended, and although the mines, paper mills and hydroelectricity projects have hired their full complement of workers.

The second problem within the system has been its inflexibility and inability to respond to local and regional needs. This has caused frustration for vocational school staff, as the following excerpt from a report to government illustrates:

> For too long administration from a central provincial authority has bottlenecked innovative ideas from local regions, since, understandably, its perception of community needs from a provincial viewpoint often conflicted with changes suggested from a local level. In short, the administrative territory has become unmanageable and has resulted in course offerings becoming stagnated in the traditional trades areas; local administrators, disillusioned by their attempts to acquire more direct control in their administrative capacities, have become apathetic in accepting the status quo.[3]

An effective community college system would be a great boon to Newfoundland society and could play a key role in an integrated employment strategy. It would help to dispel feelings outside St. John's that all decisions affecting the regions seem to be made in St. John's. It would also make post-secondary education available to more people; serve as a link between local communities and Memorial University, the Marine Institute and the College of Trades and Technology; improve relations between private industry and the education system, and provide flexibility in the system to meet local needs as Newfoundland moves into its post-industrial age.

The Royal Commission has strongly supported the provincial government's intention to convert the province's vocational schools into a system of community colleges, although it has advocated a somewhat different structure from that outlined in the government's white paper. There are three main principles that we believe should guide the setting up of the community college system:

- it should be operated independently of the government;
- it should be administered on a regional basis;
- the programmes and course offerings of the various colleges should be co-ordinated through a central committee or board of governors.

The community college system should be allowed to stand on its own two feet by operating independently of government. Like the other post-secondary institutions, it would have its own governing board and be accorded block funding on an annual basis. We suggest that all the post-secondary institutions be represented on a post-secondary programme co-ordinating committee that would report to the Minister of Career Development and Advanced Studies.

The present vocational schools, the Craft School and the Bay St. George Community College would be reorganized into a number of colleges on a regional basis. Taking demographic, geographic and socio-economic factors into consideration, the Commission suggests five colleges as a possible model, but we urge that the details be worked out in further discussion between Career Development and vocational school educators.[4] Despite its smaller population base, we believe that Labrador merits its own community college, which should have the mandate (and the support) to provide special programmes for coastal and native communities, and also to develop strong links with western Labrador.

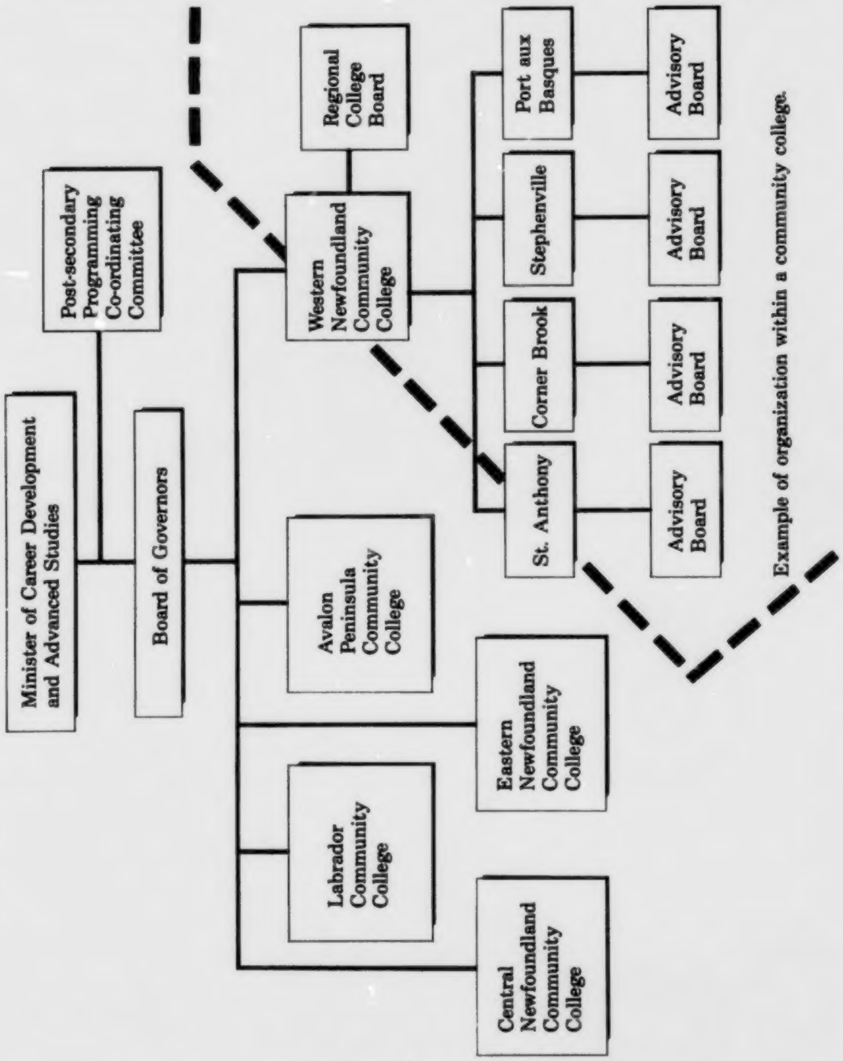
The administration of the community college system should balance centralized co-ordination with decentralized decision-making. We suggest that each community college have its own regional board, with representatives from each of its campuses and from the wider community, and that each college be represented on a central board of governors or co-ordinating committee. This governing body should also include representatives from industry, labour, the other post-secondary institutes and some educators from outside the province to inject new ideas into the system. The main functions of the governing board would be to co-ordinate the programmes and course offerings of the colleges, co-ordinate their budgets and represent their interests to government. The structure of the proposed community college system is outlined in Figure 8.1.

An initial goal of the community college system should be to increase literacy and basic education levels in the province. Local programmes would be offered in co-operation with the Department of Career Development and Memorial University. First year University, Marine Institute, and College of Trades and Technology courses should be phased into the community colleges according to demand. This would both make higher education more accessible to young people in rural areas and take some of the physical space pressures off the other institutions. In addition to delivering course offerings from the University, Marine Institute and College of Trades and Technology, the community colleges would also design and deliver courses on their own in response to local needs, much as the Bay St. George Community College does at present. The proportion of regionally specific courses, their standards, the cost of each and the co-ordination of the offerings of the various colleges to avoid wasteful duplication, would all be the responsibility of the governing board.

The Commission recognizes two potential difficulties in implementing the proposed community college system. The first is funding. By making St. John's the technical centre, costs could be kept down. The community colleges would act

Figure 8.1

Proposed Organizational Chart of the Community College System


Minister of Career Development and Advanced Studies
Post-secondary Programming Co-ordinating Committee
Board of Governors
Western Newfoundland Community College
Regional College Board
Avalon Peninsula Community College
Eastern Newfoundland Community College
Labrador Community College
Central Newfoundland Community College
Port aux Basques
Stephenville
Corner Brook
St. Anthony
Advisory Board
Advisory Board
Advisory Board
Advisory Board
Example of organization within a community college.

as a feeder system in higher education, much as the Sir Wilfred Grenfell College in Corner Brook now feeds students into the final years of Memorial's undergraduate programmes. But an equally important goal of the community colleges would be to bring education to the people in small, isolated rural communities. Expense could be kept down by renting facilities, hiring part-time local instructors and using such new techniques as tele-computers and community television. The other potential difficulty is instructor training and upgrading. The current staff of the vocational schools were hired to give instruction in specific trades, not to teach first year university courses or new locally tailored courses on topics such as tourism and aquaculture. This problem demands immediate attention.

The Commission hopes that the community colleges will become very active in their regions, particularly in matters relating to economic development. Our report on education gives examples of such activities from community colleges elsewhere.[5] We also stress the need for a co-ordinated approach for the delivery of education and training services for the community college regions. We advocate that all programmes for the regions, including courses offered by various government agencies and Memorial's Extension Service, be co-ordinated through the community colleges.

Private Post-Secondary Institutions.

A new phenomenon in post-secondary education in recent years, attracting approximately 1,000 full-time and part-time students yearly, has been the emergence of several private colleges and schools offering programmes in such fields as business management and computer programming. These programmes are expensive and their value has not been proven: the claims made for their success by the companies offering them have not been systematically investigated. The Commission undertook a small follow-up survey of graduates of these institutes in St. John's, and found that they had an overall unemployment rate of 25 per cent. Moreover, most of those employed had already been employed when they took the course at the private institution in the first place. There are no clear standards for the courses offered, and many offerings duplicate courses given in the public education system. The private post-secondary institutions should be much more carefully regulated than at present, and they should be granted public funds only when it can be shown that they are serving a genuine need that the public institutions are not meeting.

Recommendations

The Minister of Career Development and Advanced Studies should require that Memorial University, the Institute of Fisheries and Marine Technology, the College of Trades and Technology and the community colleges develop co-ordinated policy statements, be complementary in their roles and avoid wasteful duplication of effort.

Memorial University should be mandated to have economic development as one of its formal objectives.

Memorial University's School of Continuing Studies and Extension should be reorganized and given a strong mandate to co-ordinate community and economic development contributions by the University to all regions of the province.

The University should establish and operate a Science and Technology Council.

The Institute of Fisheries and Marine Technology should be given the main responsibility for all aspects of fisheries and marine-related research and development, including the active promotion and delivery of education and training programmes for the fishing industry.

The Institute of Fisheries and Marine Technology should work with the other post-secondary institutions, and with the public and private sectors, in promoting the results of its research and development.

The College of Trades and Technology should be developed as the major centre for non-marine related technological training in the province and be responsible for co-ordinating technical training in other provincial institutions.

The district vocational schools, the Craft School and the Bay St. George Community College should be incorporated into a community college system. The system should be
- *operated independently of government,*
- *administered on a regional basis, and*
- *co-ordinated through a central co-ordinating committee or board of governors.*

A plan for instructor upgrading should be implemented which would include the following elements:
- *the establishment of a sabbatical leave programme for instructors who wish to upgrade their general education and technical skills;*
- *the establishment of a centre for instructor upgrading;*
- *the establishment of a standard certification process for all instructors;*
- *the establishment of willingness to upgrade as a condition of employment;*
- *the establishment of an industry/college programme for the mutual transfer of instructors to industry and industry personnel to the colleges;*
- *a programme of voluntary early retirement for those not interested in upgrading.*

For the private post-secondary institutions:
- *the Department of Career Development and Advanced Studies should set, and enforce, standards for their programmes and advertising;*
- *government should not normally provide funding for programmes that are offered by public post-secondary institutions.*

Educational Administration

The Commission has not undertaken a detailed examination of the administration, financing and delivery systems of the province's school system. Nevertheless, there are many indications, including a recent brief to government from the NTA,[6] that such a study would be highly desirable. The denominational system of education, as it is currently structured, appears to foster inefficiency and unnecessary duplication of services. The Denominational Councils, for example, cost money to operate for an uncertain return. Moreover, particularly in rural areas, there seem to be more schools than are needed given the size of the local population. Newfoundlanders must find out the costs of their denominational education system and efforts must be made to use our scarce financial resources efficiently in the education of our population.

At the moment, the indications are that the pyramidal structure of educational administration inhibits new initiatives. The Commission has heard from several sources, for example, that the curriculum division within the Department of Education has wide discretionary powers which sometimes act as a kind of bottleneck for implementing new programmes. At another level, Treasury Board is said sometimes to act unintentionally as a kind of censor of new initiatives whereas, if the Department of Education had more discretion in reallocating funds, it could use its budget more flexibly to adapt to changing needs. Such claims need further investigation. Administrative hold-ups within the system could be eliminated if a feedback mechanism were in place that brought problems to the immediate attention of senior administrators.

The Department of Career Development and Advanced Studies is an amalgam of divisions that were formerly located within the Department of Education and the Department of Labour and Manpower, and its initial organizational structure reflected its dual origin. Career Development is the main service arm of government to the province's post-secondary institutions. It should provide leadership, be a source of continually updated information and ensure co-ordination among the various institutions and programmes. The Commission believes that, to accomplish this, Career Development (like most government departments) needs to have its pyramidal structure loosened so that its various components can respond quickly and flexibly to problems and initiatives as they emerge. The Department has recently made some changes along these lines, but we think the changes can be taken further. Since the Department's concerns are mainly with the young people of the province, the Commission suggests that the Division of Youth – currently part of the Department of Culture, Recreation and Youth – be relocated to Career Development. More detailed discussions of these proposals are contained in separate background papers to the Commission.

Recommendations

The province must undertake a review and cost analysis of the denominational education system.

The use of alternative technologies in education programme delivery should be explored and developed as one solution to educational funding problems.

At the post-secondary level, funding priority should be given to education programmes directly related to community and economic development and employment generation.

A mechanism should be established within the education system to provide feedback on the effectiveness of all components and programmes.

The Department of Career Development and Advanced Studies should proceed further in its reorganization in order to:
- respond with flexibility to the needs of the post-secondary system;
- enhance its research and information dissemination capabilities;
- take responsibility for the Division of Youth.

Training Programmes and the Apprenticeship System

With respect to our specific mandate to examine the adequacy of education and training programmes in meeting the demands of the labour market, the Commission is concerned about problems in our various training programmes. In the future, people will have to be trained more flexibly in a host of generic skills and more emphasis will have to be placed on retraining, both by the training institutions and by industry. From time to time, however, there will still be a need to train and/or upgrade large numbers of workers for specific jobs. The proposed production platform for Hibernia is an instance of this.

The Commission suggests that our training institutions place more emphasis on generic training and, in conjunction with industry, provide job-specific skills training as required. Generic training should be based upon two criteria: (1) total current demand for labour in groups or 'clusters' of related occupations, and (2) anticipated demand in areas where the economy is expected to develop (for example, oil-related construction and aquaculture).

The post-secondary institutions' responsibility under a generic-based approach would be to provide training at a broad level for a number of occupational clusters and then, through co-operative arrangements with public- and private-sector employers, to provide more job-specific skills training as needed. Such a training system can be thought of as having three levels:

Level 1 - Core Curriculum
Level 2 - Generic Programme
Level 3 - Occupation-Specific Training

The Commission emphasizes the importance of maintaining close ties between industry and the education institutions if such a system is to prove effective, with the Department of Career Development and Advanced Studies playing a key role by providing up-to-date labour-market information. Suggestions for some generic and occupationally specific programmes are included in the Commission's report on education and training.[7]

In keeping with such changes in training programmes, the apprenticeship system in the province also needs to be changed. In that system, young tradespeople are given pre-employment training at the College of Trades and Technology or a vocational school, and then find work as apprentices in their chosen trades. As an apprentice, a tradesperson also receives further institutional training before returning to the work world as a fully fledged journeyman in his or her trade. This system worked well during the period of industrial expansion, but in recent years apprentices have had great difficulty in finding employment. The Commission believes that apprenticeship could profitably be replaced by a broader system of co-operative training in generic skills categories, including many categories (notably within the service sector) not now included in the apprenticeship system. The training institutions would be responsible for placing 'co-op' students with employers for work terms as an integral part of their training programmes. Such an arrangement would help give young people work experience, improve relations between employers and the training institutions and force the institutions to keep in touch with changing labour market conditions. The co-operation of the trades unions in devising and implementing such a system would be essential.

This change would in turn require a change in the present system of advisory committees. At present, there are approximately 70 advisory committees (permanent and otherwise) for specific trades both within the Department of Career Development and at the training institutions, with the result that there is considerable overlap and duplication of effort. The number of committees should be reduced and reorganized into generic occupational categories. For example, the committees for apprenticeable occupations such as pipe-fitting, boiler-making, welding and ship's plating could be combined to form a metal fabricators' group. These advisory committees should then be represented on the Standards and Certification Board of the Department of Career Development, which would be responsible for standards and certification. The proposed structure is outlined in Figure 8.2. The training institutions would be responsible for devising and implementing programmes and courses in accordance with the standards of the Board.

Finally, in this section, we would like to emphasize that it is important that tradespeople in certain categories have the opportunity to keep up their skills, even during periods of unemployment. The College of Trades and Technology, the Marine Institute and the community colleges should provide opportunities for such people to keep in practice and, in occupations such as welding where specific tests must be passed before individuals are hired, opportunities for refresher instruction and practice should be made available to individuals. In trades where certification has to be renewed each year, examinations could be required, and those applicants who failed could be given instruction and practice to bring their skills up to standard. Adequate means of ensuring high skill levels for Newfoundland tradespeople will be particularly important if the province is to maximize its employment from offshore oil-related development.

Recommendations

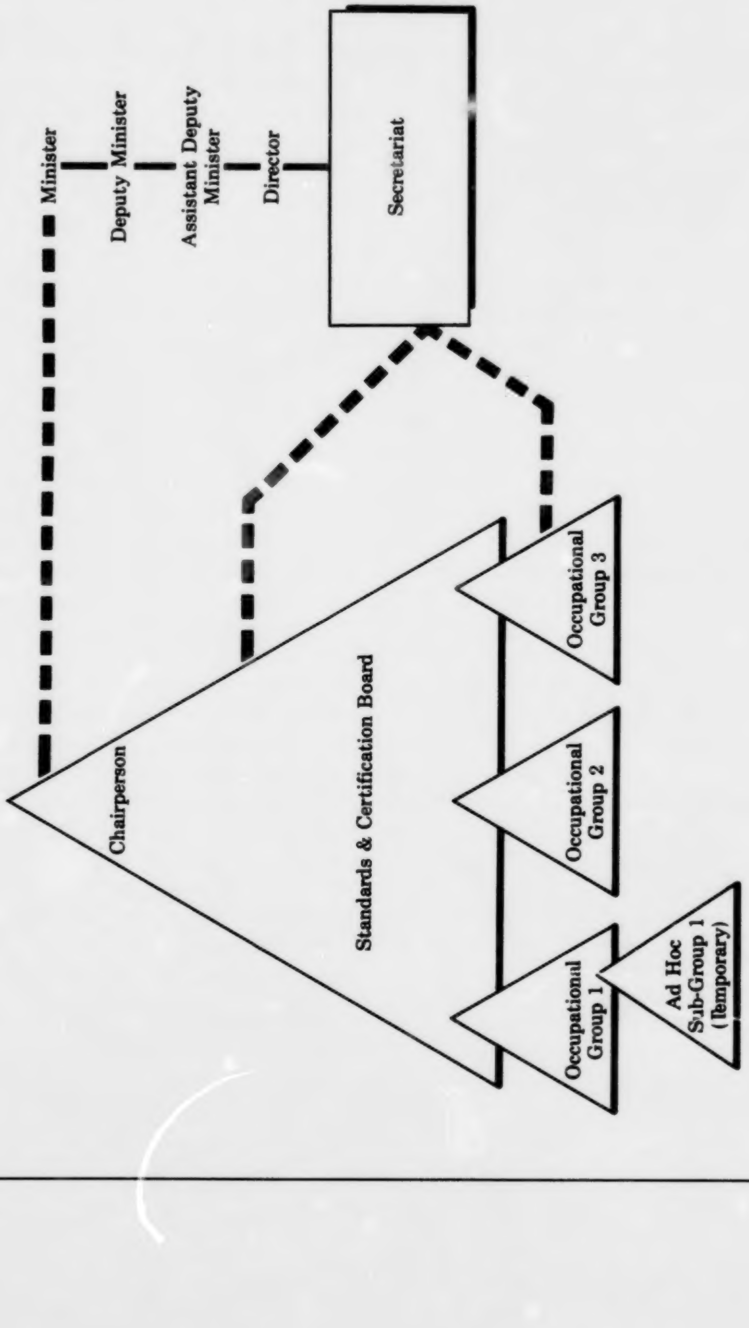
The post-secondary training institutes should emphasize generic skills and organize their programmes along the lines suggested in this Report.

In consultation with the appropriate unions, the apprenticeship system should be replaced by a co-operative training system which would be expanded to include a wide range of occupational categories.

The apprenticeship advisory committees should be replaced by an occupational categories advisory system.

Figure 8.2

Proposed Organizational Chart for Occupational Advisory Groups and the Standards and Certification Board


Minister
Deputy Minister
Assistant Deputy Minister
Director
Secretariat
Chairperson
Standards & Certification Board
Occupational Group 3
Occupational Group 2
Occupational Group 1
Ad Hoc Sub-Group 1 (Temporary)

Training for the Oil and Gas Industry

It is held as a guiding principle by this Commission that employment prospects in the oil and gas industry must be maximized for Newfoundlanders. A key section of the Atlantic Accord, signed in February 1985, established a local preference policy in employment and required that expenditures on education and training for offshore development be made in the province. The establishment of this policy, however, is only the first step in taking full advantage of oil and gas development. It is now necessary to put in place a training system which is suited to the industry's requirements and the province's needs.

In the recent past, the province has attempted to provide training for the oil and gas industry with limited success. Several courses, specifically designed for the oil and gas industry, have been created in public education institutions, such as the Petroleum Technology programme (a three-year course of study offered at the College of Trades and Technology), Marine Emergency Duties and Basic Offshore Safety Training. Short courses offered once to meet less extensive needs, such as the Roughneck Drilling course (also offered by the College of Trades and Technology), have been developed as well. It is apparent, then, that public institutions have already made some moves towards meeting the challenges of oil and gas development.

Nevertheless, there are problems inherent in providing education and training for this industry. Some of these have surfaced already and will continue to block any efforts to develop training for the industry unless they are tackled now. Basically, there are three major obstacles to the smooth operation of education and training programmes designed for the offshore petroleum industry:

- uncertainty about the rate of exploration and the rate and mode of development of the oil fields;
- lack of appropriate consultation with, and input from, industry concerning specific training requirements;
- the high cost of many petroleum training courses.

Aside from the action required on these problems, **planning** for development is necessary. Several studies have been done already, as preliminary work for major planning. Two government studies stand out: the November 1985 study of 20 occupations involved in Hibernia development (conducted by the former Department of Labour and Manpower), and the April 1986 study by NORTEK Engineering for the Department of Career Development and Advanced Studies on the labour demand and skill requirements for construction of a fixed concrete production platform. These studies have built upon the Mobil Environmental Impact Statement for Hibernia.

A preliminary analysis of the occupational requirements for both fixed and floating modes of production, conducted for the Commission, indicates that there are three categories of occupations that will be in demand by the petroleum industry:

- Category One – positions requiring skills that are already available in sufficient supply in Newfoundland. Little or no training is needed.
- Category Two – positions that may require some training, but warrant little concern, since demand can be met on short notice.

- Category Three – occupations that will be in demand during either the construction of a fixed production platform, the conversion of a floating platform, or the production stage of development. Training for these occupations will be necessary and action on that training should start immediately (See Table 8.1).

The province needs a set of guiding principles to govern training for the oil and gas industry. The Commission advocates the adoption of the following principles:

- Employment opportunities must continue to be maximized for Newfoundlanders. This involves appropriate education and training programmes, support for local companies and up-to-date, accurate, detailed information on the labour market.
- The activity arising from the development of the industry should be spread out over all regions of the province, in so far as this is possible. This includes education and training programmes as well as construction projects. Training related to a specific component of a major project should be provided in the immediate vicinity.
- Priority over the long term should be given to education and training programmes that include training in high technology.
- Specific training should be timed to fit in with the oil industry's scheduling.
- Priority should be given to training people to acquire occupational skills which are transferable to other industries in the province.
- Government's and the post-secondary institutions' responsibility should be to train potential employees in generic skills to the point where the industry can provide further short programmes and on-the-job training to meet its specifications.
- There should be active consultation by government and the institutions with the oil industry on all training programmes for the petroleum industry.

General recommendations in keeping with these principles have already been presented in Chapter 5 as the fifth and eighth recommendations of the section on the oil and gas industry. In addition to these general recommendations, the Commission offers the following specific recommendations for petroleum-related training:

Recommendations

For engineers, supervisors and other first-line management personnel, increased encouragement and incentives should be provided for on-the-job training in other oil producing provinces and countries, preferably in existing offshore fabrication yards.

For non-destructive testing technicians, a two-year course, involving theoretical and practical (on-the-job training) components, should be established immediately.

For crane operators, a joint training programme should be established by industry and government, with the objective of minimizing the purchase of expensive equipment; a theoretical crane operating course should be provided by the public institutions and practical crane operating experience should be provided by industry.

For welders, testing procedures should be revised to ensure that welders are able to meet petroleum industry standards. Specifically, the quality of the weld in the 6G and 6GR positions should be tested before graduation.

In all occupations related to the petroleum industry, students should be provided with basic instructions in quality assurance and quality control.

For all existing petroleum-related businesses in the province, courses should be offered in quality assurance, quality control, the use of computers in management and the structure of the industry's contracting and procurement arrangements.

Table 8.1
The Three Categories of Occupations Needed by the Petroleum Industry

Category One	Category Two	Category Three
Telephone Operator	Surveyors	Management/Administrators*
Clerks*	Medics	Engineers*
Caterers	Blasting Occupations	Draughtspersons*
Construction Equipment Operators	Machinists*	Engineering Technicians*
Labourers*	Sheet Metal Workers*	Supervisors
Carpenters*	Grinders	Crane Operators*
Maintenance Workers	Aircraft Mechanics	Testers (NDT)[1]
Truck Drivers	Air Pilots	EDP/CAD-CAM[2] Operators
Marine Crew	Drill Rig Crew	Instrument Fitters
	Welders	
	Industrial Mechanics	
	Concrete Workers*	
	Pipe-fitters*	
	Iron Workers	
	Deck Engineers	
	Insulators*	
	Electricians*	
	Divers	
	Painters/Sand-blasters*	
	Marine Fabricators	
	Materials Handlers*	
	Scaffolders	
	Boiler-makers	

* Common to both concrete gravity-based and floating production systems.

[1] Non-Destructive Testing.

[2] Electronic Data Processing; Computer-Assisted Design; Computer-Assisted Manufacture.

Education and Development

As was pointed out in Chapter 6, there is a strong positive relationship between the level of education and the degree of economic development and self-reliance in any society. This relationship, however, is not clearly recognized in Newfoundland and neither the Newfoundland education system itself, nor the agents of economic development, place sufficient emphasis on it. The Commission is not suggesting that economic development be the only, or even the most important, goal of education. However, in a society with such a high unemployment rate, economic development and the link between development and basic education must be given high priority. Government and the education institutions need to adopt aims and objectives for education that identify self-reliance, community development and economic development as primary goals.

The Commission has also been struck by how little most people know about the workings of our economic system. From the simplest, most personal level – how to manage one's own personal finances and household budget – through to more complex questions about the provincial, national and international economies, the level of economic literacy in Newfoundland is very low. Earlier in this chapter, we recommended that the principles of economic self-reliance and those underlying our economic system should be taught at all levels of the education system.

Economic education should continue at the post-secondary level, should be a normal part of the curriculum for tradespeople, professionals and arts graduates, not just for business graduates and economists. While recognizing the efforts of business educators, the Commission believes that too little emphasis is placed on entrepreneurship and small enterprise as compared to business management and administration. More businesspersons should be directly involved in education and business educators should be required to spend time working in business. It is important that high quality economic education be made available to people in all parts of the province.

Recommendations

The Departments of Education and of Career Development and Advanced Studies should adopt economic development as departmental objectives; the resource departments, the Department of Rural, Agricultural and Northern Development and the Department of Development and Tourism should stress the importance of education in their strategies and programmes; and the Department of Rural, Agricultural and Northern Development should work closely with the Departments of Education and of Career Development and Advanced Studies, and with the education institutions, in order to promote the economic value of education in rural areas.

Memorial University should be given the primary responsibility for co-ordinating and delivering business and entrepreneurship courses and programmes, which should emphasize in particular the self employment aspects of business and labour relations. Post-secondary and adult education courses in industrial relations and entrepreneurship should be readily accessible to all Newfoundlanders.

Promoting Education

Education is not a panacea for Newfoundland's unemployment ills. Nevertheless, it is an essential ingredient in the Commission's recipe for economic success and employment generation. The low level of economic activity in recent years, the insidious influence of the UI make-work syndrome and a certain complacency within our education and development institutions have all combined to lower Newfoundlanders' appreciation of education. There is a real danger that a downwards spiral will develop, with poor job prospects leading to poor education levels, which in turn lead to poor job prospects. This must be avoided. During economic recession, education should be seen as a resource to be 'stockpiled' for ready deployment as new opportunities are created. Those experiencing unemployment themselves will benefit from training courses that help them become more self-reliant while unemployed, and more qualified to take jobs, either in Newfoundland or elsewhere in Canada, when employment does become available.

The actions recommended in this chapter should ensure that, by the next generation, Newfoundlanders will be a literate, well-educated people, knowledgeable in the workings of our economic system and in the value of self-reliance. Our post-secondary education system will be well integrated, with a central core of provincial institutions and community colleges in every region able to deliver courses and programmes to all Newfoundlanders. Education will be geared to local, as well as national and international, needs and values. Fishermen, plant workers, loggers and small-businesspersons will stand on equal terms with schoolteachers and government workers in our outport communities, and our big industries will be run by world-class Newfoundland managers and technologists.

This transformation will take time, but our need is immediate. To speed up the process, the Commission urges that, because the benefits of education are not understood as they ought to be, the government immediately launch a campaign to promote education. It should stress that higher educational attainment means more dependable, transferable skills, higher productivity and higher income levels. The value of education to the Newfoundland public must be emphasized, so that education issues achieve a prominence equal to that of other major public policy issues.

Recommendations

All agencies involved in education should join forces immediately to promote education through a province-wide publicity campaign; this promotion should focus on two fundamental issues – literacy and educational attainment.

Provincial government departments responsible for delivering programmes and services in the province should stress education issues when preparing plans and programmes with community groups, municipal authorities and private enterprise.

Notes

1. Royal Commission on Employment and Unemployment,"Education for Self-Reliance: A Report on Education and Training in Newfoundland", 1986.

2. "Education for Self-Reliance" (1986).

3. The Regional Community College Analyses Committee Representing the Instructional Staff Gander District Vocational School, "Response to the White Paper: Reorganization of Vocational School System", Paper submitted to the Newfoundland Government Department of Career Development and Advanced Studies, 1985.

4. See "Education for Self-Reliance" (1986).

5. See "Education for Self-Reliance" (1986).

6. Newfoundland Teachers' Association, "Exploring New Pathways", A brief presented to the Government of Newfoundland and Labrador, 1986.

7. See "Education for Self-Reliance" (1986).

CHAPTER 9

Promoting Provincial Development

This Commission believes that the only path to a self-reliant future is through integrated, multi-faceted provincial development which will take into account all of our strengths, existing and potential. This means that we must take full advantage of all opportunities that come our way, whether they be large-scale industrial and service-sector initiatives (such as oil and gas, mining, fisheries or public and private services) or regional and community-based enterprises, usually on a smaller scale. This concern requires us to focus first on the economic and social development of Newfoundland as a whole, which in turn entails our considering Newfoundland in its national and international context.

Newfoundland must become a full-fledged player in the national and international economy of the late twentieth century. This means that it must become better integrated into the mainstream of North American life, so that it will benefit from general patterns of growth in the Canadian and American economies. This in turn depends upon its developing strong urban centres, rationalizing its transportation system, adopting modern technologies, improving its labour relations system, maximizing spin-off benefits from its large resource and service industries, promoting the growth of a modern service sector and developing international expertise in a few select industries where it enjoys a comparative advantage.

Transportation in Newfoundland

Success in developing the province as a whole, and in distributing the benefits of economic activity throughout its constituent regions, will depend very much upon well-developed communications and transportation systems. We discussed these in terms of direct employment in Chapter 5, and emphasized the importance of communications at the regional level. It is equally important that the province as a whole be well integrated into national and international communications networks. It is also of paramount importance that Newfoundland's transportation system, which has improved dramatically since Confederation but still lags behind other provinces, be rationalized and made more efficient.

Transportation is not specifically mentioned in the terms of reference of this Royal Commission. Nevertheless, in our travels we gained some practical experience of transportation in Newfoundland, and transportation was one of the main topics raised by local people at our public hearings. In Gander, people stressed that their town is essentially a single-industry town dependent upon its international airport; in Port aux Basques, we were reminded of the employment dependency of the town upon Terra Transport and CN Marine; in Buchans, we were asked to consider how the extension of the road to Southwest Brook might help the community; in Sop's Arm, people pointed to the lower transportation costs that would result from paving the road to the area, thereby making local fishing and logging operations more competitive; on the Port au Port Peninsula, we heard of the real tourist potential that could be developed if the road around the peninsula could be completed to form a 'loop' for tourists; in western Labrador, we were told that a trans-Labrador highway is essential in order to alleviate the sense of isolation felt by residents there. In many places, fishing and manufacturing representatives told us of their concern about the proposed increases in the Gulf ferry rates. The people of the province clearly wanted the Commission to think about transportation, and we are convinced that they were right.

Transportation affects economic development, which in turn affects employment. From 1978 to 1979, it was the subject of a federally sponsored Commission of Inquiry under the chairmanship of Dr. Arthur Sullivan, and this Commission authorized a brief review and update of that study. The Sullivan Report documented the rapid expansion of road and (to a lesser degree) air transportation to replace rail transportation, with marine transport maintaining its share of inbound freight at about 35 to 40 per cent. The report also determined that the railway deficit was running at about $30 million annually at that time. It suggested that the province would benefit if a deal were reached with the federal government whereby the railway was phased out, and $30 million a year was spent instead on improving other transportation modes in the province. This suggestion proved unpopular and was not acted upon by government, but the many other measures recommended in the report, which received less public attention, have continued to be the main blueprint for transportation growth in the province. We commented on the Sullivan Commission in Chapter 5, and now wish to take the discussion a little further.

This year, the federal government agreed to invest another $37 million in the railroad, in order to upgrade it. The Commission regrets this decision, and believes that the national and provincial governments should have seized upon this opportunity to make a real contribution to transportation in this region of Canada. Meanwhile, the Canadian Transportation Commission (CTC) has ruled that the freight rates charged by Terra Transport (a subsidiary of CN involved in rail, truck and bus transportation in Newfoundland) are too low, causing unfair competition for marine transport companies. If their ruling is upheld by the Federal Court of Appeal, then it is likely that Terra Transport will once again begin to lose customers.

Containerization has already meant a loss of jobs, the labour force being trimmed from roughly 1,400 in 1979 to just over 800 in 1984. The federal government provided a generous Labour Assistance Program for those who lost their jobs, consisting of early retirement allowances, severance pay, payment of relocation expenses and payment of retraining expenses. It seems likely that, regardless of popular sentiment, the railway will continue to decline as a transportation mode in Newfoundland. If it is simply allowed to limp along or to die, the province will not enjoy any compensating benefits. This must not be allowed to happen. During the next four years, Newfoundland must negotiate the kind of deal with the federal government that we discussed in Chapter 5: the railway should be phased out, appropriate assistance should be provided to the workers who will lose their jobs (about half the 800 workers could continue with Terra Transport, which would increase its trucking operations) and a long-term agreement should be put in place to provide federal funding of improvements and upgrading in Newfoundland's transportation system at large. The Commission is convinced that the provincial government must grasp this opportunity.

Recommendation

Notwithstanding the agreement that has been made recently, the provincial government should enter into negotiations with the federal government for long-term funding for substantial improvements in the province's air, marine and road transportation systems, in return for agreeing to the phasing out of the Newfoundland railway, along the lines recommended in Chapter 5.

It has been suggested in the media that the best deal would be for the twinning of the Trans-Canada Highway across the Island. But many other options should be considered as well, such as those mentioned above. **Unlike the railway, the road, air and marine systems can benefit Newfoundlanders in all regions of the province including the south coast, the Great Northern Peninsula and Labrador.** Hundreds of jobs could be created in construction, and in enlarged trucking and marine transport services. Hence, depending upon the settlement reached and the disposition of the funds, the net employment effects of phasing out the railway might well be positive.

Trucking is already a growing industry in Newfoundland, with the fleet expanding from 1,704 trucks in 1977 to 2,875 in 1984. Long-haul trucking is a relatively inexpensive method of transporting fish and other goods to export markets. The pulp and paper companies are phasing out the movement of logs by river in favour of trucking. All of this will put increased pressure on our highways, which are in serious need of upgrading and twinning in heavily used sections.

The federal government, in its plans to deregulate transportation, should not interfere with the subsidy to the Gulf ferry service because costs to Newfoundland resource exporters could increase significantly, their competitiveness might then be undermined and jobs would be lost.

> ***Recommendation***
> *A strong case should be made to the Government of Canada that the Gulf ferry service continue to be operated as part of the Trans-Canada Highway system, with its costs borne mainly by the public purse, the cost to users to equate with what it would cost to travel the same distance by road.*

This is a very important issue for Newfoundland. If the government in Ottawa is seriously committed to reducing regional disparities and promoting regional development in Canada, then one of its main contributions should be in the area of transportation. If Newfoundlanders are ever to feel like true Canadians, then they must be able to afford to travel to other parts of the country, and other Canadians should feel less apprehensive than at present about travelling to Newfoundland. If the transportation system were more efficient, Newfoundland products, particularly perishable items such as fish products, would compete better in mainland markets.

A similar argument holds for the regions of the province. The Nielsen Task Force's recommendation to reduce coastal boat services in Labrador, for example, should be resisted, as this would further restrict the already limited travel opportunities of those coastal Labradorians who cannot afford air transportation. Instead of cutting back on marine services, we should be building on Newfoundlanders' strengths in this area. With the exception of CN Marine's Gulf ferry service, which is protected under the Terms of Union, governments should encourage the growth of small private-sector units in our marine coastal trade. This may require subsidization, at least initially, but even with subsidies, small, private and community firms would have more cause to keep costs down and to provide a good service than would a crown corporation.

> ***Recommendation***
> *The provincial and federal governments should jointly review the coastal marine transportation service in Newfoundland, with a view to improving its efficiency through small, private or community enterprises.*

Air services promise to become even more important in the future. A few Newfoundland fish companies are already flying fresh fish directly to United States and Canadian markets. This should be encouraged. For example, arctic char from the Labrador coast ought to be flown directly to market. The provision of landing strips near more communities in coastal Labrador, moreover, would help to reduce the isolation of that region.

The growth of the oil and gas industry will increase air traffic significantly in the future, not only to and from, but also within, the province. A co-ordinated air traffic expansion policy needs to be developed, which will both protect the international status of Gander airport and allow St. John's to become easily accessible internationally.

> ***Recommendation***
> *Transportation is so important, and any changes in it have such an impact upon the economy of Newfoundland, that the federal and provincial governments should establish an overall transportation plan and policy.*

Tourism

Although this part of the Report deals with the institutional supports needed for economic development and employment enhancement, we have decided to discuss one industry here in some detail, in order to illustrate what we mean by promoting provincial development through building on local strengths. Great interest was expressed in tourism in all the regions where we held public hearings, but no one seemed quite sure of the real tourist potential of his or her area, and regional aspirations do not seem to be well co-ordinated with the tourism division of the Department of Development and Tourism.

We estimate that approximately nine per cent of the province's labour force (or about 20,000 people at the most) are presently in occupations related directly or indirectly to tourism, and we recognize that the tourist industry is generally perceived to be a potential growth area both provincially and nationally. We also recognize that there are genuine constraints to tourism development in Newfoundland, especially if we attempt to create an image of sun, sea and sand which conforms to the traditional perception of the family summer holiday.

This Commission is disappointed with the lack of imaginative planning and appropriate strategy formation that appear to have been applied to tourism in Newfoundland to date. We have, therefore, put together some suggestions for a programme of tourist development which we think would enhance employment, and which take into account the realities of the province. We do not wish to sell Newfoundland to the tourist for what it is not. We propose six different, overlapping tourist 'experiences' as examples of what we mean:

(i) marine
(ii) coastal villages
(iii) historic sites
(iv) rivers, streams and ponds
(v) wilderness and wildlife
(vi) culture and festivals.

We will expand briefly on each of these.

(i) The marine experience.
This is essentially a holiday package based on Newfoundland salt-water resources as a tourist attraction. While wind-surfing and sandy beaches are areas where we do not have a comparative advantage relative to most other parts of North America, we do have a unique mix of marine life and natural features which could be developed as major tourist attractions. Whale and seal watching (by boat or helicopter), fishing, sailing and even marine archaeology, icebergs and caplin runs could, with skill, be packaged to draw a particular kind of tourist. The 'ocean contact' idea offered at Trinity is a case in point. Farm holidays have become popular in many places in Europe and North America in recent years – why not the outport holiday? Live in a (government approved/sponsored) outport home and experience coastal life – go jigging for cod, bird watching, caplin catching! Come back at night and eat what you caught during the day!

(ii) The coastal village experience.
Related to (i) is the charm of the necklace of beautiful coastal villages strung around this Island and along Labrador. Join a charter coastal vessel at Port aux Basques and sail the south or the west coast. Sleep at night in an outport home. Or board a vessel at St. John's and sail the north-east coast: see the old English Shore as did the early migratory ship fishermen – Port de Grave, Old Perlican, Trinity, Happy Adventure, Greenspond, Twillingate, Englee, L'Anse aux Meadows and St. Anthony. For a sub-arctic experience, drive to Flowers Cove, sail to Blanc Sablon, Forteau, Red Bay, Cartwright, Rigolet, Nain and Makkovik.

(iii) The historic sites experience.
Linked to this is our history package. We can have a Viking trail (but see L'Anse aux Meadows by sailing in to land); a 'three cultures triangle' – drive to Port au Choix and see the Maritime Archaic Indian site, then sail (or drive) to L'Anse aux Meadows to see the Viking settlement and finally, complete the triangle with a sail to Red Bay to see the first Basque settlement of the New World; an English shore tour; a 'Coaker Trail' – Herring Neck to Port Union by land or sea; the two main French packages – Placentia and the Port au Port Peninsula. Only imagination and good promotion hinder us here. North Americans often feel 'history starved' – Newfoundland has history in abundance. Let's sell it!

(iv) The rivers, streams and ponds experience.
The angler's dream. Add to that a trip up the Exploits to fish, to canoe and to visit a Beothuck village. Ponds should be stocked with trout for family trouting expeditions. Or visit a fish farm, and catch your own trout – for a fee, of course. Or, for the adventurous, enjoy the thrill of the 'white water' experience on one of our fabulous, wild, fast-flowing rivers.

(v) The wilderness and wildlife experience.
This is related to (iv), but even rougher, more challenging – for those who dare to challenge nature. We have a Labrador package: caribou, Eagle River, Churchill Falls – the old and the new; and an arctic experience: icebergs, seals, arctic char – and spend a night in an igloo! Wherever you go, shoot what you see – with a camera; in some places, appropriately licensed, the other kind of hunting will be available for those who enjoy the thrill of the chase.

(vi) The culture, festival and family experience.
This is the traditional tourist package, but with unique Newfoundland 'extras'. Tour our folk festivals, learn to step dance, get 'screeched in'; go to the Stephenville festival or to the local museums and art galleries; visit local potteries ("make your own mug"!), and go to visit the oldest fossils in the northern hemisphere – at Cape Race, not far from St. John's.

What prevents us from realizing this? Two things only: a dated vision that sees tourism in 'megabuck' or 'large park' terms only, and basic amenities. Consider the poor state of the province's highways, the need for good, small, local, cheap restaurants and clean toilets. Moreover, our ferries (large and small) are both transportation and tourist services, and are not adequately understood by government in these terms. In this respect, the elimination of the Woody Point to Norris Point ferry may be a mistake; it has resulted in the closing of a local craft shop as well, pointing to the kinds of spin-offs that must be taken into the calculation when government concerns itself with cost-efficiency. Advertising, too, is inadequate: there is a great deal of untapped tourist potential in Western European industrial countries and in Japan, to name only two areas where promotion could well pay off handsomely. Hospitality (bed and breakfast), restaurant and hotel training is needed as well, as is training in other tourist-related occupations – planning and development, market research, tour guiding, convention planning, publicity and the like. Institutes providing these skills are emerging in other provinces, particularly in Ontario, and Europe has had 'hotel schools' for years.

None of this Commission's packages will work if residences for tourists are ill-decorated, ill-served and badly run. Again, the vital combination of education and small-scale, local level thinking are basic building blocks for what we propose. And again, too, we come up against a problem of attitude: government and people alike need to have faith in, and be proud of, what we have and what we are, and then build on that. We are puzzled by an approach which promotes the 'Viking dream' through images of wind-surfing and sunny, sandy beaches, which contemplates millions spent on one standard, huge, North American style holiday complex, and which fails to see that the greatest potential for employment (especially if calculated on a cost-per-job basis) does not lie there. This Commission believes that our real tourist potential lies in promoting and enhancing what we already have: history, hospitality and the 'away-from-North-American-commonplaces' experience.

One area of the tourist industry which has been all but totally neglected to date is that of servicing our own internal tourist needs. St. John's, for example, is a growing city whose population provides a rich potential source of tourists. Where can those people in St. John's go for a weekend to 'get away from it all', if they do not own a cottage? At present, this is a metropolitan need primarily, but as our regional centres develop, they too will provide a growing market demand for the weekend escape. There are many places on the Avalon which are within a three-hour or so drive from St. John's and which are potential weekend resorts: boating, hiking, bird-watching or just plain relaxing in pleasant surroundings in the summer; skiing, snow-shoeing, skating in the winter, and good food and evening entertainment at all times of the year. Such resorts, if well-organized, could package family holidays (with child-care facilities for weary parents) and holidays for the young or older couple and for singles. The concept of the 'seasonal' hotel unit that shuts down and opens up easily, using compartment-style designs with water, heat and light facilities that can be controlled on a block-of-units basis, makes this kind of facility workable in our climate. Again, it is imagination, attitude and will that are needed here, rather than large amounts of capital.

Recommendations

The Tourism Branch of the Department of Development and Tourism should examine thoroughly its policy planning and strategy formulation process, and develop a fully-integrated provincial tourism development strategy after extensive consultation with the tourism industry and regional and community interests across the province. The strategy should build on Newfoundland's strengths for unique tourist experiences; outline and priorize potential tourism developments, and highlight the ways in which existing constraints can be overcome.

The Tourism Branch should work closely with the Department of Rural, Agricultural and Northern Development and Regional Development Associations to encourage community groups to develop tourism-related activities.

Government should devote special attention to the possibility of developing a Western European and Japanese tourism marketing plan aimed at promoting the province's cultural, natural and scenic attractions.

In light of the appeal that the service has for tourists, the federal government should upgrade the Argentia to North Sydney ferry service, and the federal and provincial Departments of Transportation should base their decisions on funding ferry services and coastal boats partly on their implications for tourism.

The internal tourist market should be given greater consideration, the goal being to attract Newfoundlanders to spend more of their tourist dollars in their own province.

The new system of community colleges should offer a wide range of courses relevant to all phases of the tourism/travel industry.

Technology and Labour Relations

Along with a new commitment to regional and small-scale development, this Commission also advocates a positive approach to using appropriate and progressive technology in order to enhance productivity, income levels and employment. We would emphasize, however, that progressive technology does not necessarily mean big technology. In the Newfoundland context, it will often mean developing and using the best technology available for such things as improving efficiency in small fish plants, making better small boats, intensifying home gardening and developing small-scale energy projects and light manufacturing, using local resources. We need to develop expertise in such technology and create the means for communicating information about appropriate technology throughout the province. The Government of Ontario, following the Japanese example, has just established the Premier's Council on Science and Technology. We suggest that

Newfoundland follow Ontario's lead, making adjustments for this province's particular needs.

> ***Recommendation***
> *The Government of Newfoundland and Labrador should form a senior-level Council on Appropriate Technology, chaired by the Premier and composed of senior industrialists, labour leaders, researchers and public servants. This Council would investigate and direct the development of new and appropriate technology.*

In the new international economic environment of the late twentieth century, large-scale industrial enterprises in North America and Western Europe have had to go through a process known as 'reindustrialization' in order to remain competitive. Reindustrialization is a process of improving efficiency and productivity through a combination of technological change, automation, better organization and reduced but higher quality work-forces. As we saw in Chapter 5, Newfoundland's big resource industries – mining, paper-making, deepsea fishing – have been part of this reindustrialization process, particularly since 1980. Unfortunately, there is a painful side to this change: it means job loss, particularly in traditional unskilled and semi-skilled trades. Because of this, in the absence of enlightened consultation, the natural tendency of organized labour is to resist the process of reindustrialization. In some societies, labour is incorporated into the consultative process for reindustrialization, one of the aims being to handle job loss in as fair a way as possible (ideally, by retraining for the new kinds of jobs that are created). This has not happened in Newfoundland.

Newfoundland society has no plan or strategy for dealing with the process of reindustrializing our major resource industries. It is just something that is happening to us, that seems beyond our control. Indeed, we are hardly even aware of it. Newfoundland workers, municipalities and the provincial government adapt as best they can. This means that people simply become unemployed; they do not become retrained for new forms of employment. Labour relations carry on in the old adversarial industrial mode, and government, to the extent that it gets drawn into the dispute between employees and employers, often has to side with the latter because it fears wholesale shut-downs and massive lay-offs. In 1984, when the provincial Labour Standards Board ruled that Wabush Mines had to pay some $750,000 in back wages to workers who had been laid off without due notice, the government introduced Bill 37, retroactive to 1978, which changed the requirements for lay-off notices so that the company was no longer breaking the law.

Labour relations in Newfoundland have often been difficult. The Commission believes that problems in labour relations can have important employment implications, not so much in the public sector as in those private-sector industries that must compete successfully in the international market-place if they are to survive and flourish. Good labour relations will be essential if Newfoundland is to develop an onshore oil-related fabrication and manufacturing capability. The proposed construction of a gravity-based concrete production platform for the Hibernia oilfield will be critical to Newfoundland's long-term employment prospects in this industry. The current perception of ill-will between employees and employers (including the provincial government as a major employer) bodes ill for this.

A background study done for the Commission reveals many illuminating features about the labour movement in Newfoundland.[1] For present purposes, these serve as an important backdrop against which to consider improvements in our labour relations climate. Contrary to popular opinion, labour unions enjoy a long and established history in our society. A scattering of unions had emerged as early as the 1850s, mainly in St. John's, and there was rapid growth during the last years of the nineteenth century. By 1914, there was a wide range of craft unions in St. John's, and the powerful Longshoremen's Protective Union (LSPU) had almost 3,000 members. Locals of the International Brotherhood of Papermakers and of the International Brotherhood of Pulp, Sulphite and Paper Mill Workers were established in Grand Falls when the mill opened there, and the subsequent growth of new industrial towns has also meant the simultaneous growth of industrial unionism (the United Steelworkers of America were to become the strongest union in the province during the growth of Wabush and Labrador City during the 1960s). In 1936, the Newfoundland Trades and Labour Council was formed, renamed the Newfoundland Federation of Labour in 1939. Today, the Federation is recognized as the main voice for labour in the province: it comprises 26 unions with a total membership of 53,388 workers. A separate organization, the Newfoundland and Labrador Building Trades Council, represents the 6,667 members of the province's construction unions (an important group, if we wish to succeed in production platform construction). Other unions not formally affiliated with the Federation are the Newfoundland Teachers' Association and the Newfoundland Nurses' Union.

Membership in Newfoundland's unions flagged somewhat in the 1950s and 1960s, due in part to the successful 'breaking' of the International Woodworkers of America by the Smallwood government in 1959. But membership surged in the 1970s from 29,835 in 1970 to 73,460 in 1979. It peaked in 1982, and then declined somewhat during the recession, but there were still over 76,000 unionized workers in the province in 1985. The United Food and Commercial Workers International Union (Local 1252), commonly known as the Fishermen's Union, grew from nothing in the late sixties to become Newfoundland's biggest union, with over 20,000 members by the late seventies. It comprises trawlermen, plant workers and inshore fishermen.

As Table 9.1 shows, there has been a dramatic change in the composition of Newfoundland's unionized labour force since 1965. On the one hand, membership in the private resource-sector unions has declined. In 1965, the largest union in Newfoundland was the Carpenters', with the Steelworkers' in third place, Pulp Sulphite and Paper fifth and the Machinists' eighth. In 1985, the situation was very different. After the Fishermen's Union, which itself lost over 5,000 members between 1982 and 1985, public-sector unions held the next five positions: the Newfoundland Association of Public Employees (NAPE); the Newfoundland Teachers' Association (NTA); the Canadian Union of Public Employees (CUPE); the Public Service Alliance of Canada (PSAC), and the Newfoundland Nurses' Union (NNU). Due mainly to the heavy involvement of women as fish-plant workers and in the public sector, the proportion of women in the unionized workforce has increased steadily over the years, from 18.9 per cent in 1975 to 23 per cent in 1982.

Unions benefit their members in terms of both working conditions and income. Research done for the Commission shows a consistent pattern of higher wage

Table 9.1
Trends in Union Membership

Newfoundland 1965–1984/1985

1965		1968		1971		1976		1979		1982		1984/85	
UBCJA	6,033	NTA	5,855	NTA	6,437	NAPE	11,029	NFFAWU	24,970	NFFAWU	25,128	UFCWIU	19,539
NTA	5,351	UBCJA	5,201	UBCJA	5,272	NTA	7,700	NAPE	12,598	NAPE	13,060	NAPE	13,226
USA	3,141	USA	3,635	USA	4,048	UBCJA	5,965	NTA	7,800	NTA	8,000	NTA	8,527
CSF	1,973	PSAC	2,021	NFFAWU	3,906	NFFAWU	5,387	USA	5,068	CUPE	4,943	CUPE	4,939
PSPMW	1,610	PSPMW	1,449	PSAC	2,439	USA	4,988	UBCJA	4,481	UBCJA	4,888	PSAC	3,907
RASC	1,367	RASC	1,267	CUPE	1,793	CUPE	3,682	CUPE	4,073	PSAC	3,810	NLNU	3,090
CLC	1,285	IBEW	1,169	LIUNA	1,512	PSAC	3,147	PSAC	3,361	IBEW	3,067	USA	2,529
IAMAW	913	IAMAW	1,051	RASC	1,486	IBEW	2,875	NLNU	2,750	NLNU	2,700	IBEW	2,130
IBEW	700	TCWHA	899	PSPMW	1,387	NLNU	2,700	IBEW	2,663	USA	2,474	UBCJA	1,564
CBRTW	651	CBRTW	888	IAMAW	1,107	CPWU	2,047	CPWU	1,886	CPWU	2,115	CPWU	1,344

CBRTW	Canadian Brotherhood of Railway, Transport and General Workers.
CLC	Canadian Labour Congress.
CPU	Canadian Paperworkers Union.
CPWU	Canadian Paper Workers Union.
CSF	Civil Service Federation (later PSAC).
CUPE	Canadian Union of Public Employees.
IAMAW	International Association of Machinists and Aero-space Workers.
IBEW	International Brotherhood of Electrical Workers.
LIUNA	Labourers International Union of North America.
NAPE	Newfoundland Association of Public Employees.
NFFAWU	Newfoundland Fishermen, Food and Allied Workers Union (later UFCWIU).
NLNU	Newfoundland and Labrador Nurses Union.
NTA	Newfoundland Teachers Association.
PSAC	Public Service Alliance of Canada.
PSPMW	Pulp, Sulphite and Paper Mill Workers Union (later CPWU).
RASC	Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees, Aero and Transport Workers.
TCWHA	International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America.
UBCJA	United Brotherhood of Carpenters and Joiners of America.
UFCWIU	United Food and Commercial Workers International Union.
USA	United Steelworkers of America.

Source: G.S. Kealey, "The History and Structure of the Newfoundland Labour Movement", Background Report to the Royal Commission on Employment and Unemployment, 1986.

rates for union than for non-union workers in the same occupation. Nationally, the average unionized Canadian worker had 30 per cent higher wages than non-union workers in 1984, the gap having risen considerably from a 17.5 per cent differential in 1981. In 1984, Newfoundland and Quebec had the highest percentages of unionized workers in Canada (over 43 per cent of all employed workers). The national average was 37.2 per cent. During the period 1973 to 1982, Newfoundland had the highest number of days lost in strikes per union member of any province in Canada, 4.2 days compared to only 1.2 days in Manitoba (the lowest rate), 2.3 in Nova Scotia and 3.6 in Quebec (the next highest rate).

Some basic statements follow from the above. The first is that labour unions are a firmly established feature of our society. This fact has not been well-accepted by many employers, including some people within government itself. The recent recession, which has hurt the industrial unions, and the anti-union attitudes and practices of many oil companies, have added fuel to the fire of those who preach that unions are an evil that must be resisted at all costs. This attitude is not only out of date, it is also unrealistic and unpragmatic. Unions are here to stay, and efforts either to ignore them, or to impose solutions without their consultation, will only lead to greater labour strife, damage productivity and hurt Newfoundland's industrial reputation.

The Commission recognizes that there is a basic conflict of interest between employers and employees that will not go away merely by wishful thinking. Private-sector firms make decisions about the distribution of revenues between direct costs, wages, salaries for senior management, dividends to shareholders and a share to be re-invested in the enterprise. The more spent in the last three categories, the less can be paid in wages. Governments must decide how much to pay in wages and salaries to their employees in relation to other demands on the public purse, including the operating costs of established programmes, new capital expenses, salaries to attract senior level administrators in competition with the private sector and the need to pay off the public debt. In both public and private sectors, the more money paid out in wages, the less is available for other purposes.

In Newfoundland, labour relations in both sectors tend to be narrowly conceived in terms of this conflict of interest. There is too little recognition of the strong mutuality of interest that also affects employers and employees. Profits are necessary to the long-term health of a firm; they are the main source of funds for investing in new plants and technology for improving productivity and maintaining long-term competitiveness. Firms that fail to make profits, fail: their workers lose their jobs. On the other side, employers too often fail to appreciate the importance of good morale in the work-force. Workers who feel secure in their jobs, and feel that, either through their union or some form of worker participation, they have some say in the decision-making process, are more productive, less likely to take time off and less likely to strike.

Those countries of the modern world which have shown most impressive levels of industrial growth in recent years – Japan, Western Europe, Scandinavia – have all instituted systems of labour relations which recognize the mutuality of interests between employers and employees, including the mutual interest in resolving conflicts quickly and amicably. If Newfoundland, which suffers from many natural disadvantages in its attempts to industrialize, is to compete successfully in international markets, it must establish a good record for itself in those areas which are amenable to human control. Labour relations is one such area.

The Commission believes that major initiatives should be undertaken to improve labour relations in Newfoundland. We think, for example, that the Labour Relations Board could become more efficient. However, recognizing the complexity of the issue, we have not felt that it was appropriate for us to search for the solution. We nevertheless wish to make the following suggestions. At present, the Labour Relations Board is a part-time body and, as a result, labour and management can experience delays in the resolution of issues they bring before the Board. This is inefficient, expensive and time-consuming. In lieu of making the whole Board permanent - the volume of work does not appear to require the expense involved - one possible solution might be the permanent appointment of the chairperson of the Board, under an expanded mandate which might include: the routine business of applications for certification, providing all conditions of the Act are met; ruling on the processing of jurisdictional disputes, of which there are many; and the performance of arbitration services for parties willing to have a one-person arbitration process. In addition, the Board as a whole should be authorized to promote better labour/management relations as an essential part of any new mandate. Because the whole area of labour relations is a large and complex one, the Commission could not deal with it in detail, but we believe that a body should be set up charged with this responsibility.

Recommendations

With a view to improving the climate in the province for industrial development and thus employment creation, a three-member Labour Relations Tribunal should be established and given a broad mandate to improve labour relations in the province. One member should be chosen in full consultation with the labour movement, one in full consultation with employers' associations and the third member, who would serve as chairperson, should be respected by both sides but have no vested interests in either.

As one of its aims, the Labour Relations Tribunal should attempt to create a better understanding between management and labour, which would entail a formal statement of agreement on such issues as job security, technological change, productivity, incentive schemes, cross-trades practices and the basic rights and obligations of employers and employees.

The Labour Relations Board must be restructured, perhaps by the appointment of a permanent chairperson, in such a way as to achieve permanence, continuity and efficiency in its work. The Labour Relations Tribunal, when it first sits, should consider the restructuring of the Board as a top priority.

As mentioned in Chapter 5, discussions should begin immediately among representatives of employers, employees and government with the purpose of establishing a basic labour-relations agreement for the building of the Hibernia production platform. This could involve, for example, concessions on the employers' side in recognizing union labour and job security needs, and on the employees' side in agreeing to productivity measures such as cross-trades practices and incentive schemes.

The Commission has found some indications that bode well for labour relations in the province. The new management at Fishery Products International (FPI) is off to a good start with its work-force, mainly because it has taken the trouble to meet with workers in various fish plants and discuss with them the future plans of the corporation. Relations are cordial so far between FPI management and the leaders of the Fishermen's Union. The mining and paper-making companies are also paying more attention than in the past to the morale of their work-forces, and have begun to introduce new approaches such as Quality of Work Life techniques. Unfortunately, these have not been done with the full consultation and co-operation of the unions. After the strike two years ago, both management and workers at the Newfoundland Telephone Company appear to have realized their mutual interest in establishing better labour relations in the future.

It is generally recognized that we need a better labour relations climate in Newfoundland, but mutual suspicion, coupled with personality clashes, have precluded this to date. If we are to succeed in the future, these narrow interests must be superseded.

Big Industries and Small Opportunities

In recent years, the people and Government of Newfoundland and Labrador have realized that there are disadvantages to having our major industries owned and controlled outside the province. We often lose out on profits that might have been re-invested here, on senior-level board and management positions, on research and development and on other spin-off opportunities. Outside firms cannot be expected to have the same commitment to Newfoundland as local firms, which might be more reluctant to close down their branch plant operations here during a lean spell.

This situation cannot easily be changed. Newfoundland companies, as presently constituted, lack the capital, technology and expertise to take over and run big industries such as mines and paper mills. This is why we had to depend on foreign ownership in the first place. Nevertheless, our expertise is slowly growing and, through joint ventures and carefully selected opportunities, we should strive to increase provincial ownership in our resource industries. Important possibilities in the foreseeable future include new mining ventures, 'participation' by government or local firms in oil and gas developments and the pending privatization of FPI. This last possibility is particularly important. Newfoundland must make sure that, when the divestiture of FPI's shares takes place, individuals and companies in this province gain the controlling shares. Innovative (for Newfoundland) share planning would provide an opportunity for employee stock-sharing plans and, possibly, union and person-in-the-street participation in the ownership of the company. This might help to break down our perceptions of a sharp division between capital and labour, and also give Newfoundlanders a real sense of FPI being *our* company.

> ***Recommendation***
>
> *Wherever feasible, the provincial government should actively support greater provincial ownership and control of our major resource and manufacturing industries.*

Whether through outside or local companies, we have seen in Chapter 5 that, with the exception of oil and gas, our big resource industries have limited possibilities for increasing direct employment. The Commission is confident, however, that much new employment can be created **indirectly**, if we pursue much more aggressively than in the past the small-scale spin-off opportunities that derive from our major resource and service industries. Whether it be growing broccoli for FPI's secondary fish-processing plant in Burin, fabricating steel ladders for the Hibernia production platform, stepping up wood chip production for paper mills and hospitals, or publishing textbooks for use in our local schools, there are promising opportunities for local economic development and employment. There are more opportunities here than we realize.

The publishing industry is one small example of what we mean. Growing from virtually nothing 20 years ago, Newfoundland now enjoys a small publishing industry which has become an integral part of our local culture. Breakwater Books, Jesperson Press, Harry Cuff Publications, ISER Books, Creative Printers and Publishers and Newfoundland Book Publishers are all small operations that produce mainly for the local market. These are not big money-makers, but small businesses that succeed through government assistance and the personal devotion of their owners and managers. Financially, they are all to some degree precarious, and they lack the capital that would allow them to expand through more vigorous promotion and exports.

There is, however, a latent opportunity for the expansion of Newfoundland's publishing industry into the textbook trade. School textbooks are big business, even in this province, where some $7 million is spent by the Department of Education every year. At present, only about three per cent of this market is supplied by local publishers. If this were to be increased to even 10 per cent, it would benefit the local industry considerably, giving rise to about 50 new jobs. If the figure could be raised to 20 per cent, growth would be that much greater. In the early stages at least, local publishers could concentrate upon books and related course material for the new kinds of courses recommended in Chapter 8 of this Report. It is extremely important that the danger of lowering the **quality** of school materials be recognized, and that there be strict adherence to high-level standards in this (as in all) local production. The aim should be to do a **better** job than mainland publishers. Such an initiative would not only provide jobs directly in the publishing companies themselves, but would also provide indirect employment for designers, copy editors, distributors and other related occupations. It could be a small generator of growth within the local economy.

This latent opportunity will not be realized, however, without considerable government encouragement and support. The small local publishing houses, as presently constituted, simply lack the capital and capacity to invest in the textbook business in a big way. Government could help by providing assured markets, setting up a loan guarantee system, investing some equity capital itself, making it attractive for local venture capital firms to invest in publishing and by assisting local firms to restructure their operations for larger-scale production. This last might mean incorporation to attract share capital, or the combining of firms' resources to form joint ventures for specific jobs. In particular, publishers must be able to produce hard cover books in this province. At present, they are unable to do so, because hard cover binding requires expensive machinery which the small publishers have been unable to afford. However, if all the publishers' resources were pooled, and if the government were willing to provide assistance, the machinery could be purchased and set up in this province, thereby allowing Newfoundland firms to produce hard cover texts and other books entirely inside the province. Once established as a publisher of textbooks for the Newfoundland market, the local publishing industry could expand in other ways as well. Good textbooks might be appropriate for sale in other parts of Canada, especially the Maritime Provinces and the industry could branch out into the production of other kinds of educational materials, such as video recordings and computer software.

This is just one example; many such latent spin-off opportunities exist in the province. They need to be identified, promoted and actively pursued. The cumulative effects of many such pockets of enterprise will be significant economic growth and long-term job creation. A note of caution is in order, however. **There are bound to be many growing pains, mistakes and failures in the early stages of such new initiatives. These should not be taken as a reason to give up, but rather as a normal part of the learning process that occurs when building up new competencies and employment opportunities.**

Recommendations

The local preference policy of the provincial government in all sectors of the economy, including the public sector, should be continually under review in order to maximize local employment benefits and job creation.

The Department of Development and Tourism should be mandated to identify spin-off opportunities for all our resource, goods and service industries, including the public sector, and should actively seek out, promote and support local enterprises so that they may take full advantage of such opportunities.

Recommendations about how local enterprises can succeed in these and other types of new initiatives will be made in the next two chapters.

Service-Sector Growth and Marine Expertise

We saw earlier in this Report that the service sector has been the fastest-growing, healthiest sector of the Newfoundland economy in recent years, despite government programmes favouring manufacturing. The Commission believes that more attention should be paid to service-sector opportunities in Newfoundland.

Recommendation

Government policies and programmes should be equally supportive of the service as of the goods-producing sector of the provincial economy.

Service-sector growth can be of two complementary types. First, we can concentrate upon having local firms and agencies provide more of the services that are consumed within the province. At present, we 'import' most of our more sophisticated services from mainland or foreign sources. This is true for a whole range of services. To take one example that was brought to the attention of the Commission, Newfoundland architects find themselves at a competitive disadvantage in bidding on design contracts in this province, even for public buildings. With the right policies and incentives, more of this work could be done locally, thereby creating jobs in Newfoundland rather than in Ontario or elsewhere. Similar possibilities exist with respect to engineering, computer programming and other professional services. The Commission was told, for example, that Newfoundland and Labrador Computer Services has a problem retaining skilled technical staff that it has trained in specialty areas. Problems such as this could be rectified by small policy initiatives, if there were an agency within government responsible for keeping in touch with service-sector problems and growth potential. In cases where special talents are required, we should ensure that local firms acquire these talents by purchase or joint venture.

> ***Recommendation***
> *A division or section within the Department of Development and Tourism should be charged with the responsibility of keeping informed about, identifying problems within and making policy recommendations for, service-sector growth.*

The second possibility for growth within the service sector comes from the fact that services, as well as goods, can be exported. As a small province, geographically distant from major markets, Newfoundland cannot realistically expect to develop international expertise for export in a wide range of services. Nevertheless, we can develop exportable expertise in a selected number of services in which we do, or could, enjoy a comparative advantage. Again, it is a question of identifying and building on our strengths. We already have internationally recognized expertise in cold oceans research and engineering, distance communication and education, earth sciences and social research and development in coastal communities. For the most part, however, these areas of expertise have not been identified and locally promoted as exportable 'commodities', and the various pockets of expertise are not well co-ordinated. This is particularly so for marine research and technology. The Marine Institute, various divisions of Memorial University (C-CORE, NICOS, the Marine Sciences Research Laboratory at Logy Bay, the Faculty of Engineering), federal fisheries and private companies such as NORDCO, have all developed marine-related expertise, but there is too much overlap and not enough co-ordination.

> ***Recommendation***
> *The Department of Career Development and Advanced Studies should take on the responsibility of co-ordinating marine-related research and development within the province, and should co-operate with the Department of Development and Tourism to promote services for export.*

The Issue of Free Trade

As Canada enters the preliminary round of free trade talks with the United States, federal and provincial governments are hammering home to their constituents the importance of trade (and the further 'liberalizing' of trade) to the economic well-being of the nation as a whole and also to the individual provinces. Trade and trade policy 'instruments' have played such a crucial role in the development of the nation in the past that we can expect any major decisions made during the remainder of this century to have tremendous implications for economic development and employment. While this Commission has not carried out extensive background work on the impact of various trade policy options on employment, we cannot let this issue pass without making some general observations.

The question that is on everyone's mind, of course, is whether the liberalization of trade, at the bilateral and multilateral levels, will be beneficial: will freer trade with the Americans, for example, lead to a net increase in employment due to increased export sales and expanded markets, or will it mean jobs are lost because of extensive industrial relocation to the United States? We have listened to much of the debate over the last year or so and we see no consensus being reached.

Focusing specifically on Newfoundland and the impact of Canada-United States free trade, we have heard two alternative points of view. On the one hand, free traders argue that the removal of tariff barriers for products entering the United States will allow more processing to be performed within the province (meaning the creation of more jobs), while opponents of free trade tell us that exporters will consolidate operations south of the border (meaning overall job losses). The Commission is not in a position to endorse either of these views and, moreover, we do not think that anyone is yet in a position to evaluate objectively which of these alternatives is the more realistic for Newfoundland, because the primary research has not yet been undertaken. The proponents and opponents of free trade in Newfoundland appear to be speaking from intuition, rather than from any deep, concrete understanding of how major changes in Canada's trading environment might affect this province.

The Newfoundland government has opted for the free trade position, but it needs to carry out rigorous research, in consultation with industry, on the province's exports and imports and on interprovincial trade, in order to determine what range of responses may exist to the various trading regimes proposed.

Recommendation

The provincial government, in consultation with the private sector, labour organizations, public agencies, the university and other groups interested in trade research, should devise a work plan for examining trade policy impact over the short, medium and long terms. In all work undertaken, the labour-market impact of trade regime changes should be stressed. The results of such research should provide the basis for the province's policy position.

The provincial government does have the personnel and the expertise to lead trade policy research, but up until now there has been little co-ordination in this effort. The Department of Development has had the primary responsibility for trade matters for several years, but a small group within the Intergovernmental Affairs Secretariat (IGA) has co-ordinated what little policy research has been performed. With the building up of the Department of Fisheries' research branch, some sectoral-specific research in fisheries can be undertaken now in conjunction with IGA, Development and the rejuvenated Economic Research Unit of the Cabinet Secretariat. Given the importance of this highly visible public policy and economic issue, government needs to devote much more attention to national and provincial trade policy work. Such research should be focused in two directions: first, in developing or adapting econometric models to simulate Newfoundland trade flows based on unit costs of delivery to markets and secondly, in obtaining a better structural understanding of our international trading system.

> ***Recommendation***
>
> *The provincial government should create a special unit devoted to examining all aspects of Canadian and provincial trade policy. The unit's work should be inter-sectoral and multi-disciplinary. As well as performing in-house work, the new Trade Division should be equipped with the resources to contract out research.*

There is little doubt that the federal government, the Newfoundland government and many other provinces see Canada-United States free trade as a major public policy issue of the 1980s. Whether it be Canadian or Newfoundland trade policy, however, we urge that economic and employment policies should not be dictated by trade policy. Rather, it should be the other way around: the province should determine what its overall economic and employment objectives are for the short, medium and long term, and then various trade policy options should be determined on the basis of these objectives.

> ***Recommendation***
>
> *Newfoundland's trade policy should be formulated as part of a conscious and deliberate strategy for economic and regional development, with employment implications given high priority.*

The kinds of questions that need to be addressed in this light include the following: Will the gains for Newfoundland from free trade come merely from protecting what we already have in the face of increased American protectionism, or will they be incremental gains? How will trade patterns be altered by any form of free trade agreement? What will be the gains from free trade (to consumers) in terms of lower prices for United States (and central Canadian) manufactured goods, and how will these affect the small domestic industry existing in the province?

Newfoundland's export trade will continue to play a major role in provincial economic development and as a generator of employment. Therefore, while Canada-United States trade talks are of crucial interest to us, the provincial government should not ignore other actual or potential trading partners. Special emphasis could be placed on potential trade with smaller nations with whom reciprocal trading agreements might be signed, and on new areas of opportunity such as the Pacific Rim. We should seek to diversify our trade by lessening our dependence on the United States, and new trade initiatives should be oriented more towards processed commodities than towards raw materials. Trade policy should be seen as yet one more important component in the overall strategy to put this province back on the road to prosperity and full employment. It cannot be a panacea in itself.

> ***Recommendation***
>
> *Extensive work should be carried out by government, in consultation with the private sector, to identify and exploit new market opportunities throughout the world.*

Information and Research

The free trade issue is only one important example of how the Newfoundland government needs to be much better informed than it presently is about national and international economic trends and policies. Transportation deregulation and the effects of declining oil prices are other important examples. Our government also needs to be better informed about what is going on within our own province.

In conducting its research for this Report, the Commission had great difficulty, on almost every subject, in getting access to accurate information. For example, we were given three different sets of figures on the number of fishermen in the province, all provided by the Department of Fisheries and Oceans (DFO); there are no accurate data for school retention rates; breakdowns by gender are not available for many basic categories, such as fish-plant workers; there are no good community-level data available on labour-market trends; definitions of 'rural' and 'urban' differ from one source to another; we have no reliable way of knowing how many small businesses exist in the province, and no agency within the province could provide us with a list of municipal tax rates. Most of the data we do have were provided to us by the small, but very accommodating, Newfoundland Statistics Agency, but it has to rely on Statistics Canada data, the categories and breakdowns of which are often not well-suited to Newfoundland. The Commission thinks that good data collection is essential to the formulation of sound policies which have to rest upon a base of solid information.

Recommendations

The Newfoundland Statistics Agency should be strengthened so that it can compile and maintain a solid data base on all aspects of the Newfoundland economy and society.

In co-operation with Memorial University, the provincial government should ensure that Newfoundland maintains a sophisticated research and information capability on national and international economic and policy trends, so that provincial policy positions and initiatives can be devised and implemented accordingly.

Promoting Regional Centres

The next chapter, on regional and community development, will shift our focus from province-wide to more local concerns. It will deal mainly with small communities and rural development. As a bridge between the two levels, we conclude this chapter with a discussion of Newfoundland's largest communities, the cities of St. John's and Corner Brook, and the various towns that act as regional service centres throughout the province. For balanced development, both urban and rural communities must be strengthened.

Geographers, regional planners and regional economists recognize the concept of the 'central place'. This concept states that the provision of goods and services of certain types is economically justified by certain population thresholds: for example, while a corner store may be supported by a very small population, a gas station can only be justified by a somewhat larger market while, at the other extreme, a specialized, costly CAT scanner needs the size of population that a large regional catchment area provides in order to support the expense of this kind of service.

In the case of Newfoundland, the evolution of such central places and the provision of regional services has been affected over time by history, a changing economy, government and outdated attitudes to our urban places. For example, the location of St. John's as a provincial capital city in Canada reflects its earlier function as a colonial administrative centre of the British Empire: hence its location on the east coast of the Avalon Peninsula, as near as possible to the British Isles, but far away from mainland Canada. This is merely an accident of our history, and not particularly disturbing. More disturbing, however, is the tendency of decision-makers to see St. John's as the necessary centre of the large number of services a modern Canadian province requires. St. John's no longer has to absorb all service functions for this province, especially in an age of satellite communications technology. Many more services which properly belong to the regions could locate in the regions, thereby strengthening towns such as Carbonear, Lewisporte, Marystown, Port aux Basques, Stephenville, St. Anthony and Happy Valley-Goose Bay. It is important that this occur, for both the European and North American experience shows that:

> Managing growth can only effectively be implemented at the local or regional level, where more timely development decisions can be made in response to changing needs. It is essential that local or regional governments have the authority, legislation and regulations to undertake growth management [and] . . . if a provincial . . . government has the authority it is essential that they have a local organization in place with the mandate of decision-making.[2]

This is particularly important at a time of rapid economic change. For a region to be able to respond rapidly, effectively and efficiently to new local opportunities, there needs to be enhanced expertise in place at the local level. Research on major resource development has shown that the social and economic impact of development such as, for example, offshore oil, is best managed when the region is a direct and effective partner in the identification of problems, the implementation of development strategy and the integration of the industry so as to enhance both the region and the industry.[3]

> Observers of the Alaskan, Scottish and Norwegian experiences with petroleum development have noted the critical contributions of strong local government institutions to the success of these jurisdictions in managing development . . . . While our experience [with the Government of British Columbia] would lead us to agree with these observers . . . we would emphasize the . . . need to shift from a focus on local government to a **focus on the community** in the broadest sense of the word.[4] (original emphasis)

However, achieving such co-ordination requires that skills and information be available at the regional level and, in Newfoundland, local government is weak and underdeveloped. Functions that properly belong outside St. John's and in the regional central places could locate there if encouraged or directed to do so.

While we advocate central place growth, we do not wish to make the mistake of those analysts who, using the growth pole theory of the 1960s, created policies through which central place growth resulted in a development of urban centres which did not serve, but rather drew away, surrounding populations. The end result

We do not wish this to happen in Newfoundland. The enhancement of regional service centres does not have to mean either loss of population for surrounding areas, or a loss of economic opportunities for St. John's. What we are advocating is not the 'loss and gain' thinking implied in drawing population and service functions away from one area to the benefit of another, but rather growth that is located in appropriate places. Let us take Clarenville as an example of what we are talking about. Clarenville is an ideal place for enhanced service growth, as the provincial government has recognized to some degree with its location of a motor vehicle registration division office there. If our integrated strategy for development is adopted (and we will say more about community and regional development in Chapter 10), then a revitalized Bonavista Peninsula would benefit from certain other services also locating in Clarenville. One such service might be, for example, a warehouse for the kind of fish products we debated for the inshore fishery in Chapter 5: Clarenville would function as a regional collection and distribution centre for such; it would not also gather to itself the related processing facilities, which would remain local, flexible and small-scale. Again, a tourist bureau service, located on the Trans Canada, with advertising and servicing facilities on the peninsula, would make sense; a huge trailer park drawing tourists away from bed and breakfast facilities on the peninsula would not. These are only examples to illustrate the point we are making, and we could cite others. Newfoundland does not, for example, need a hospital in every regional centre, but regional community health centres providing 24-hour emergency services are required in sufficient numbers to genuinely service the population. As so often throughout this Report, we wish to stress the need for balance in planning our future development, between the needs of the community and the needs of the region, the province, the outport, the small town, the regional centre and the provincial capital.

We have some successes here that point the way. Government-sponsored arts and culture centres are a provincial initiative that has recognized that entertainment services (broadly defined) can be both supported in regional centres and should be available in them. Community colleges will provide another kind of regional service. When such things happen, or are caused, they generate linkages which in turn attract the services they need: hotels, restaurants and computer hardware and software, for example, which both strengthen the regional centre itself and enhance the capacity for self-reliance of the region it serves.

Recommendation

The provincial government, in co-operation with the Newfoundland and Labrador Federation of Mayors and Municipalities, should encourage the growth of regional service centres throughout the province in ways that complement and serve rural areas and provincial development.

Promoting St. John's

When our regions acquire the growth in services appropriate to them, the antagonism that is thought to exist between the regions and St. John's should be considerably alleviated. Many people in other parts of the province now resent the extent to which their lives seem to be controlled by politicians, bureaucrats, educators and health care specialists in St. John's. Nonetheless, St. John's is the decision-making centre for the province, and is likely to remain so. It is the provincial capital, where the heart of government administration resides, and where much of Newfoundland's wealth is centred. That does not mean that St. John's is without its problems. Some 11,000 people, 24.4 per cent of the province's total unemployed population, were living in St. John's in 1984. As we saw in Chapter 6, being unemployed in St. John's is in some ways worse than being unemployed in rural Newfoundland. The unemployed in St. John's have to pay out more of their income in rent, they have less opportunity to produce food and firewood for themselves, and they receive less family and community support than do their outport counterparts. Compared to other census regions, the rural districts of Newfoundland have the highest unemployment rates in Canada, but the Avalon Peninsula is not much better, having the eighth highest unemployment rate among the 53 census regions across the country.

Rural perceptions of privileged St. John's, although understandable, are partially misplaced. What determines the prosperity of the capital city? Essentially, St. John's is a small, North American city which serves as the main linking point between the provincial, and the national and international economies. Not much is produced in St. John's; rather, it is the administration, service and distribution centre of Newfoundland society. Its economic well-being is derivative: it depends both on the economic well-being of the resource towns and fishing villages of Newfoundland, and on the level of economic activity in mainland North America. If the regional and community development strategies recommended in Chapter 10 are to prove successful, St. John's would benefit. There would be greater demand for its services and for the manufactured goods that it produces, imports and sells throughout the province.

As a provincial capital, St. John's also benefits from being part of a national and, increasingly, an international network of cities. This is most obvious at government level. St. John's is not only the centre for the provincial government, but also the Newfoundland headquarters of the Government of Canada. People find employment as federal civil servants; government officials spend money in city stores and service outlets and, through both direct and indirect grants to Memorial University, the Marine Institute, the College of Trades and Technology, the Health Sciences Complex and several other institutions, the federal government stimulates the economy of St. John's. Many other national agencies - public, voluntary and private - also generate economic activity through their branch operations in St. John's.

Private-sector operations include banks, finance companies, national retail chains, property developers, oil companies and a myriad of service companies. These expand their operations during buoyant times in the national and international economy and, to the extent that St. John's is firmly linked into national and international networks, its Newfoundland operations expand as well. Economic well-being in the capital city creates jobs, increases the availability of goods and services, improves government's tax base and thereby stimulates the provincial economy as a whole. Just as a healthy rural economy benefits St. John's, so a healthy St. John's benefits the regions and small communities of the province.

A modern society needs a strong urban centre. In Newfoundland, St. John's is the only urban candidate for national and international prominence. At this particular moment in Canadian history, strong geographic, economic and political forces are at work to centralize urban growth in a few large centres across Canada. Halifax is becoming such a centre in Atlantic Canada. However, the geographical distance of St. John's from mainland Canada, the prospects for its growth as an administrative centre for the petroleum industry, and the cultural and political distinctiveness of Newfoundland from the Maritime Provinces, allow for the possibility that St. John's can become another national centre. This may or may not happen. There is a real danger that Newfoundlanders' own parochialism will work to our disadvantage: regional resentment of St. John's and government inaction due to a fear of appearing to favour the city might prevent us from grasping a real opportunity for urban development.

The Commission believes that St. John's should be more actively promoted, both nationally and internationally, as an historic, interesting and dynamic city. Much should be made of its colourful history, unique architecture, bustling harbour and vibrant downtown, as well as its modern hotels, convention centre, university, marine institute, and its role as the gateway to the outports and wilderness areas of the province. Businesspersons and tourists today look for something different in the cities they visit: they do not go to San Francisco, New Orleans or Quebec City to see the same high-rises and suburban bungalows that can be found anywhere in North America. Newfoundlanders should view St. John's as an asset which can attract people here to do business, and to travel as tourists, to other parts of the province.

> ***Recommendation***
>
> *The provincial government, in co-operation with the City of St. John's and the Federation of Mayors and Municipalities, should work to make all Newfoundlanders proud of their capital city and its unique history and culture within North America, to help create a stable and attractive investment climate, and to promote St. John's to national and international organizations, businesspersons and tourists.*

Conclusion: The Need for Co-operation

While we Newfoundlanders take pride in being a peaceful and friendly society, many of our troubles stem from rivalry, suspicion, jealousy and conflict between different sectors of our society. In particular, conflicts between urban and rural areas, between employers and employees and between government and non-government agencies prevent us from taking maximum advantage of our development opportunities. These relationships must change if Newfoundland is to succeed in developing its industries and if it is to make a smooth transition to a post-industrial era. If we fail, we will be left behind in national and international arenas.

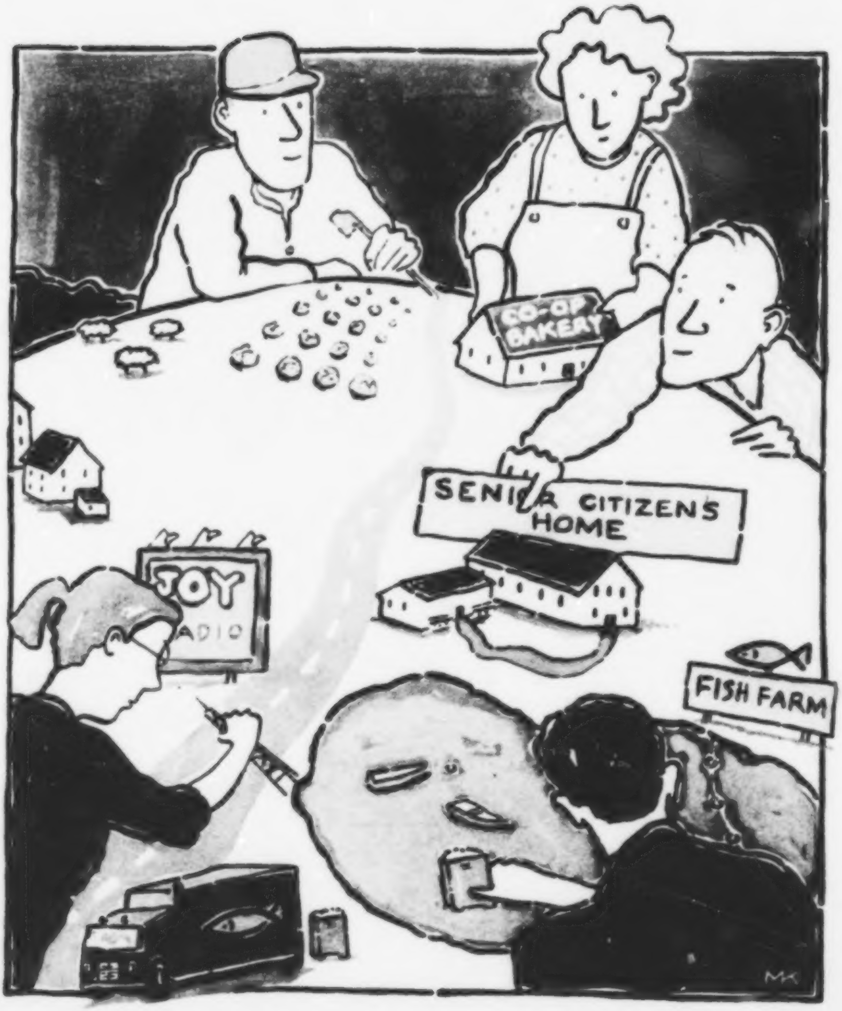
The Commission recognizes that there are real conflicts of interest in our society that will not go away by wishful thinking. But there are common interests as well which, if furthered, would benefit all Newfoundlanders. St. John's would benefit from a healthy inshore fishery; the outports from the growth of their capital as an important North American city; industrial workers would benefit from their firms' enjoying healthy profits and growth; corporations from high morale among their workers. Everyone would benefit from an improved transportation system in the province and from the growth of enterprises ancillary to our major resource industries. A change of attitude is needed, but the Commission recognizes that this will not likely come about simply as a result of moral persuasion. It is hoped that the organizational changes recommended in the next chapter for promoting regional development, and the proposals in this chapter for improving labour relations and promoting province-wide development, will contribute to a new spirit of provincial co-operation.

Notes

1. G. S. Kealey, "The History and Structure of the Newfoundland Labour Movement", Background Report to the Royal Commission on Employment and Unemployment, 1986.
2. R. Roberts, "Growth Management: Implementation in an Environment of Complexity", Western Regional Science Association Meeting, Laguna Beach, California, February 1985, p. 2.
3. See also Community Services Council of Newfoundland and Labrador, "Proposal to Establish a Community Information, Training and Research Program for Offshore Oil and Gas Development", July 1986.
4. G. Paget and R. Rabnett, "Response to Large Scale Oil and Gas Development: An Optimal Social Benefit Approach", In Search of Work Conference, St. John's, Newfoundland, February 1986, pp. 4-5.

CHAPTER 10

Community and Regional Development


CO-OP BAKERY
SENIOR CITIZENS HOME
JOY RADIO
FISH FARM
MK

While Chapter 9 dealt with province-wide development issues, this chapter takes a more local, community and regional focus. This is in some ways an artificial distinction: successful provincial development would bring benefits to most regions, and strong regions mean a strong province. Nevertheless, the distinction is useful for our purposes, because some issues are best addressed at the community and regional level. Indeed, one of the clear messages that the people of Newfoundland conveyed during our public hearings is that, **if the province as a whole is to achieve economic development and employment enhancement, its constituent regions must be strengthened and given greater autonomy in the developmental process.** This chapter proposes the appropriate mechanisms that would allow this to happen.

The Commission places heavy emphasis upon community and regional development because we feel that a special effort to address regional disparity is needed in Newfoundland. There is a branch of Rural Development within the provincial Department of Rural, Agricultural and Northern Development (RAND) and the province has also supported the establishment of some 54 Regional Development Associations through a series of subsidiary agreements on rural development signed with the federal government. Nevertheless, rural development has never been given high priority in this province. Large-scale industrial development has been the preoccupation. The Rural Development Branch of RAND is a relatively low-status, low-budget department of government, with weak relations with the more powerful central agencies and with important line departments, especially Fisheries, which also play a major role in regional development.

By 'community', we mean identifiable outports and towns such as Port Hope Simpson and Harbour Grace; by 'region', we mean larger areas of the province: Avalon, east, west, central and Labrador. The division into regions is discussed later in this chapter. It recognizes that there are areas larger than communities, but smaller than the province as a whole, which form fairly distinct social and cultural entities, and which would benefit from being considered as a unit for development and employment purposes. Regions contain both urban service centres and smaller outlying communities, which need to be developed in a co-ordinated way. For this reason, we prefer the term 'regional' to 'rural', but it should be borne in mind that we are dealing mainly with what have generally been referred to as 'rural development' issues.

Why does the Commission attach so much importance to community and regional development? There are several reasons, some negative and some positive. The main negative reasons are as follows:

- Our analysis of the prospects for large, provincial-scale developments has convinced us that they alone will not solve Newfoundland's unemployment problem.
- Newfoundland's attempts to become a highly industrialized, urban society have been going on for a century with at best partial success. Alternative development strategies should be tried.
- Restraint in government spending will restrict public-sector employment growth.
- There are sharp disparities among the regions of the province which cannot be adequately addressed by province-wide policy initiatives.

More important are several positive reasons for emphasizing community and regional development:

- Current thinking on post-industrial societies envisions a future of decentralized populations, appropriate technologies and sophisticated small communities.
- Concerted efforts at regional development in other countries, such as in the Highlands and Islands of Scotland and in northern Scandinavia, provide positive models of vibrant rural regions and communities based on local resources (such as fishing) and local service industries.
- In RAND, along with the Development Associations, municipalities and various support agencies such as Memorial University's Extension Service, we already have in place the necessary organizational infrastructure which need only be expanded and strengthened to provide an appropriate vehicle for promoting regional development.
- Throughout the province, there are several examples of successful, local, small-scale enterprises which, in aggregate, contribute a considerable amount of employment. The proliferation of such enterprises would go a long way towards solving our unemployment problems, and would have the additional merit of being well-distributed throughout the province.
- The ingenuity of Newfoundlanders offers a great reservoir of human resource potential which should be tapped for development. We should build on this strength.
- Most important of all, as expressed at the Commission's hearings, the people of Newfoundland themselves believe that they can improve their economic viability significantly, given the right structures, programmes and financial incentives, together with more general support from government.

The Current Situation: Contradictions and Potential

Rural Newfoundland today is made up of more than 700 communities with populations of less than 5,000. It is a society of contradictions, displaying signs of both social well-being and social and economic malaise. During the 20 years following Confederation – the time of resettlement and Smallwoodian industrialization schemes – the population in rural communities of less than 5,000 people declined from 73.1 per cent of the total provincial population in 1951 to 67 per cent in 1961 and to 61.7 per cent in 1971. Thereafter, the rural population stabilized at around 60 per cent, and it looked as though a better future were in store for these communities. Rural incomes also rose significantly during the 1970s, with net family incomes increasing from $4,658 in 1969 to $12,668 in 1978 (this 172 per cent increase more than doubled the 80 per cent increase in the Consumer Price Index), and family expenditure patterns came to approximate their urban counterparts.[1] Although net family incomes in rural areas were only 68.8 per cent of those of urban families, the monetary cost of living was less. In some ways, rural Newfoundlanders were, and remain, better off than urban Canadians. Over 90 per cent of them own their own homes, compared to 70 per cent in urban Newfoundland and 62 per cent in Canada as a whole. In a 1978 expenditure survey, only nine per cent of rural families in Newfoundland reported having any mortgage payments, compared to 35 per cent of urban families, and their annual interest payments were only $48 compared to $528 for urban families.[2] Moreover, as we saw in Chapters 2 and 4, many households in Newfoundland have been able to do their own repairs, collect their own firewood and provide some of their own food. The use of modern appliances and machines, notably freezers, chain-saws and all-terrain vehicles, has enhanced this household production. Modernization of household capital goods, combined with modern communications and transportation, have strengthened rural adaptations and shown that there is no necessary link between modernization and the movement of people to towns and cities.

Rural Newfoundland has also become stronger in an organizational sense. This is most pronounced in the growth of Regional Development Associations (RDAs) in almost every populated area of the province. Having grown in number from 17 in 1974 to 54 in 1985, the Associations now represent over 500 communities comprising more than one-half the provincial population (See Figure 10.1). The Associations are voluntary organizations incorporated under the *Provincial Companies Act* and are democratically based at both the community and regional levels. Most Associations use a community committee structure which selects representatives to serve on the regional boards of directors.

This growth of community and regional organizations made up of elected representatives is an almost revolutionary breakthrough in outport Newfoundland, which traditionally eschewed any type of formal local leadership and was content to leave decision-making to local priests or ministers, merchants, doctors, school teachers, politicians and government officials from outside the community. It is particularly significant that fishermen comprise the largest occupational group represented on the boards of directors of the Regional Development Associations (See Table 10.1).

Often, the only paid employee of a Regional Development Association is its development co-ordinator, who receives a modest salary out of the Association's annual administration grant (currently $26,500) which is provided by RAND. The co-ordinator assists people who are interested in development projects in the region, prepares applications, supervises projects and maintains contact with various government agencies and departments. A degree of co-ordination is given to the work of the various Associations by an umbrella organization, the Newfoundland and Labrador Rural Development Council (NLRDC). The Council plays a co-ordinating and information-distribution role for the Associations.

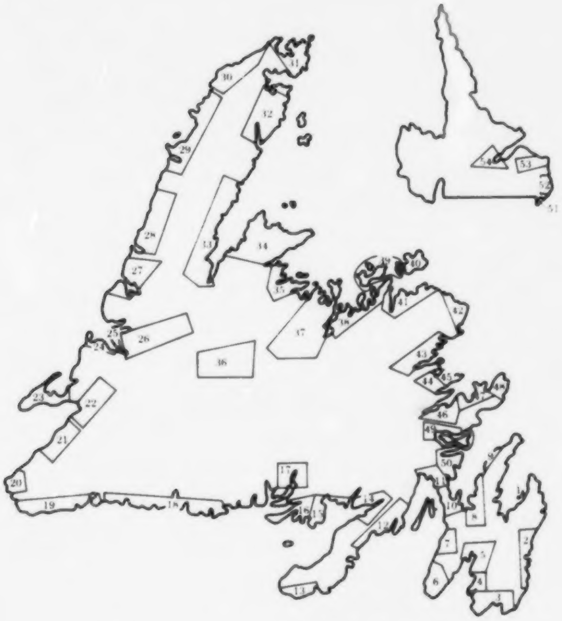
The other important organizational change in Newfoundland communities since Confederation has been the growth of municipal councils. Local government has historically been underdeveloped in Newfoundland and there are still no regional governments in the province. Under provincial government sponsorship, however, community-level municipal governments have evolved rapidly. As of 1981, there were 309 municipalities in the province, 274 of them rural. The rural municipal population in 1981 was 221,933, comprising 46 per cent of Newfoundland's municipal population and 74 per cent of the province's rural population. One-quarter of the rural population still lives in communities which have no formal local government.

In addition to Regional Development Associations and municipal councils, a myriad of voluntary associations can now be found in nearly every small community in Newfoundland: service clubs, women's groups, youth organizations, recreational leagues and a host of others. The growth of all these organizations means that rural Newfoundland is considerably more able now than it was 20

Figure 10.1

Development Associations in Newfoundland and Labrador

November 1985



1 Bell Island
2 Southern Shore
3 Southern Avalon
4 St. Mary's Bay Centre
5 St. Mary's Bay North
6 Cape Shore
7 Placentia Area
8 Upper Trinity South
9 Lower Trinity South
10 Isthmus Area
11 Trinity-Placentia
12 Placentia West
13 Greater Lamaline Area
14 Fortune Bay East
15 Fortune Bay North Shore
16 CONHER
17 Bay d'Espoir
18 Penguin Area
19 Southwest Coast
20 Codroy Valley
21 Bay St. George South
22 Barachois
23 Port au Port Economic
24 Bay of Islands South Shore
25 Bay of Islands North Shore
26 Humber Valley
27 Bonne Bay
28 Central
29 St. Barbe
30 Straits Area
31 White Bay North
32 White Bay Central
33 White Bay South
34 Baie Verte Economic
35 Green Bay Economic
36 Red Indian Lake
37 Exploits Valley
38 Lewisporte Area
39 Twillingate-New World Island-Change Islands
40 Fogo Island
41 Gander Bay-Hamilton Sound
42 Cape Freels
43 Gambo-Indian Bay
44 Alexander Bay
45 Eastport Peninsula Committee for the Development of Progress
46 Port Blandford-Winterbrook
47 Bonavista South
48 Bonavista Area
49 Random North
50 Southwest Arm
51 Southern Labrador
52 East Shore Labrador
53 Eagle River
54 Mokami

Source: Department of Rural, Agricultural and Northern Development.

Table 10.1
Occupational Representation of Development Associations' Boards of Directors[1]

1982

Occupational Group	Percentage of Directors
Fishing	26
Managerial, Administrative, Clerical	12
Businessperson (non-specific)	9
Home-maker	9
Construction Trades	7
Labourer	7
Retired	5
Sales and Service	5
Fish Processing	4
Mechanic, Repair, Transport Equipment Operator	4
Teaching	4
Farming, Forestry, Logging	3
Other[2]	5
Total	**100**

[1] Based on 705 members of 1982 Board of Directors for 34 Development Associations.

[2] Includes Natural Sciences and Engineering (1%), Unemployment (1%), and Other (3%).

Source: Department of Regional, Agricultural and Northern Development (RAND)
Department of Regional Industrial Expansion (DRIE) Regional
Development Associations evaluation interviews, 1982—1983.

years ago to provide local leadership and administration at the community and regional level in support of new initiatives for social and economic development.

Nevertheless, despite these various indicators of social health, all is not well with rural Newfoundland. Even during the 1970s, when the situation was improving, there was a net migration out of rural communities of 31,407 people, almost 10 per cent of the 1971 rural population; rural family incomes were more dependent upon transfer payments than were urban incomes; rural educational levels continued to lag far behind urban levels, and rural Newfoundland was also considerably behind in terms of employment. During the first half of the 1980s, conditions worsened in rural Newfoundland. As we have seen in Chapter 5, the inshore fishery declined both in terms of numbers employed and incomes generated, and slow-downs in Newfoundland's other resource industries, and in construction, further undermined opportunities for paid employment.

Despite the growth of Regional Development Associations and municipal governments, their actual impact upon economic development and long-term job creation has been modest. There are two fundamental reasons for this:

- both types of organization, but particularly the Development Associations, have been deflected from their original goals by their incorporation into the Unemployment Insurance (UI) make-work system;
- while both local government and Development Associations have been supported by the provincial government, there have been strict limits to that support and they have been restricted in their function as potential catalysts for long-term development.

These, then, are the contradictions that currently beset rural development in Newfoundland. On the one hand, life in small communities has improved and become modernized in many ways; on the other hand, the rural economy is weak and highly dependent upon the UI make-work system. On the one hand, an organizational structure has evolved at the community and regional level that is responsive to local needs and provides local leadership; on the other hand, neither municipal councils nor Development Associations have blossomed into the mature, autonomous centres of initiative that they aspire to be. Hence, informed commentators on rural development in Newfoundland have used terms such as 'form without function', and 'legitimation crisis' to describe the current malaise within the movement. Regional Development Associations are there to promote economic development, but they lack the human resources, finances, expertise and political clout to perform that function effectively. This is not a criticism of the RDAs as such, many of which have managed extremely well with the scant resources at their disposal. But they suffer from the reluctance of both the provincial and the federal government to view them, and support them, as the primary vehicles for rural development. In the recently signed Canada/Newfoundland Rural Development II Subsidiary Agreement, $18 million was allocated to rural development over the next three years, a small amount compared to monies that have been spent on large-scale industrial projects in the province. During the 1984/1985 fiscal year, only $1.4 million was budgeted under Project Funding Grants to promote long-term economic development. By August 1985, all of these funds had been expended and no financial resources were left to fund a backlog of development proposals.

Instead of being the main vehicles for regional and community economic development, Regional Development Associations have become conduits for a

Table 10.2
Funding to Development Associations by Source of Funding

1977—1978 to 1983—1984

Source of Funds	Value of Funding ($)	Per cent Distribution
CCDP (CEIC)	27,710,696	48.1
NEED (CEIC)	5,140,414	8.9
LEAP (CEIC)	1,764,984	3.1
Section 38 (CEIC)	1,611,894	2.8
Other (CEIC)	4,359,152	7.6
Rural Development	6,096,047	10.6
SCH (Federal Department of Fisheries and Oceans)	6,415,133	11.1
Provincial Department of Fisheries	839,920	1.5
Federal Public Works	465,800	0.8
CMHC	466,739	0.8
All Other	2,680,781	4.7
Total	57,551,560	100.0

Note: CCDP—Canada Community Development Projects
NEED—New Employment Expansion and Development
LEAP—Local Employment Assistance Program
SCH—Small-Craft Harbours
CMHC—Canada Mortgage and Housing Corporation
CEIC—Canada Employment and Immigration Commission

Source: Department of Rural, Agricultural and Northern Development, Research and Analysis Division, annual surveys of Regional Development Associations.

series of government make-work programmes. Because of their regional structure and their proficiency with project management, the Associations have been used by government officials who are involved in employment creation to help manage the unemployment problem. Table 10.2 shows that over $39 million was spent in this way by the Associations between 1977 and 1984 on Canada Employment and Immigration Commission (CEIC) projects alone. Through such means, the Associations have created many jobs, but these have been almost entirely short term and make-work in nature. RAND research staff estimated that in the 1982/1983 fiscal year, projects valued at nearly $12 million created only 12 full-time jobs and 78 seasonal jobs, but gave short-term employment to 2,307 people.

The tremendous pressure placed on Development Associations by people seeking enough weeks of employment to qualify for UI has inhibited long-term development planning and project activities. This worries the rural development movement. In a brief to the Commission, the President of the Rural Development Council observed:

> Development Associations have often been accused of simply administering make-work projects. There is some truth to that. When it comes to designing job creation programmes we have seldom, if ever, been consulted. We have to make do with what we get, regardless of the fact that most current government development programming is more the result of political expediency than any real desire to reduce unemployment in the long run.

In other words, the Associations have become so firmly tied into the UI make-work system that they cannot break out of it, even though they would like to. This is a key illustration of what we mean by the need for an integrated employment strategy. The implementation of a new income security system along the lines we propose in Chapter 12 would free up the energies of Development Associations, municipal councils and other community-level organizations for longer-term development and employment initiatives.

The Commission advocates that regional and rural development in Newfoundland be legitimized and supported through a much stronger institutional framework. We would shift the grounds for analysis from the urban-rural distinction (with rural accorded secondary status) to a distinction between regionally specific and province-wide concerns. Except for the St. John's-centred Avalon Peninsula, the area around Corner Brook and western Labrador, most regions in Newfoundland are primarily rural, but many regions include both rural and urban communities. Furthermore, these communities are typically interdependent, with regional centres such as Lewisporte and Happy Valley-Goose Bay providing supplies and services to the smaller towns and villages in their rural hinterlands and in turn depending upon them for their economic well-being, as we saw in Chapter 9. We need an integrated strategy for regional development that takes into account both the urban and the rural communities within each region. To implement such a strategy would require a new commitment to rural and regional development and some new institutional mechanisms. It is worth noting that other Canadian provinces have seen fit in recent years to take initiatives along these lines. Manitoba has six regional development corporations, New Brunswick 12 regional development commissions, Alberta eight regional resource projects, while in Saskatchewan, a Task Force on Rural Development has recently recommended the formation of a network of area development corporations. Newfoundland, too, needs new policies for rural and regional development.

A New Thrust Towards Rural and Regional Development

Given the proliferation of government offices in recent years and the current budgetary constraints of the provincial government, the Royal Commission is wary of recommending the creation of new agencies, which too often entail unwieldly new bureaucracies. Nevertheless, new initiatives often require new organizational forms for their implementation and, if the issue is important enough, the creation of new agencies may be necessary. We believe that this is the case for rural and regional development in Newfoundland. To be sensitive to regional needs and the nuances of local development opportunities and to be more immediately responsive to initiatives for enterprise from people in all parts of the province, decision-making should be decentralized from St. John's. Furthermore, the regions need more autonomy than is possible with the creation of regional branch offices of a government department, such as is presently done in the case of the Northern Development Branch of RAND in Labrador. The appropriate agency, unlike the present regional offices of line departments such as Fisheries and Tourism, would be one which permitted a genuinely integrated approach to economic development in the regions. It would have to be vested with enough authority and fiscal capacity to make it a powerful force for identifying development opportunities and acting upon them.

We propose the creation of Regional Development Boards. The exact number of Boards, their composition and the geographical boundaries of each should be worked out in consultation with RAND officials and representatives of the rural development movement. Tentatively, and so that regional development will be closely tied to new educational initiatives, we suggest that five Boards be established corresponding to the five community college zones we have suggested in Chapter 8. Each Board could be governed by a board of directors chosen, for example, as follows: two representatives from the Development Associations in the region, chosen by the Newfoundland and Labrador Rural Development Council; one representative from the municipalities in the region, chosen by the Newfoundland and Labrador Federation of Mayors and Municipalities; one representative of the community college in the region, chosen by the college; one member, resident in the region, appointed by the provincial government; one member, resident in the region, appointed by the federal government, and one representative from industry chosen by the other directors. We suggest this composition in order to foster co-operation between the development associations, municipalities, community colleges and both federal and provincial government representatives in the region. Each Board would be financed by a basic amount of block funding for administration and for hiring a small staff. Sufficient funds should be available for each Board to hire a highly qualified executive director in charge of identifying and pursuing long-term developmental initiatives.

The mandate of each Board would be to stimulate economic development and employment creation in its region. It would be both proactive (initiating new ideas and development thrusts itself) and reactive (responding to the initiatives of local groups and individuals within each region). Each Board would work closely with the Regional Development Associations in its region, with town and community councils, the field officers of the various line departments of both orders of government, community college campuses in the region, Memorial University's Extension Service, and local agencies involved in economic development, such as chambers of commerce, labour unions and fishermen's committees. In addition to their economic function, the regional Boards would serve an important social and political function, signalling government's commitment to helping local people help themselves to solve unemployment problems in every region of the province.

> ***Recommendation***
>
> *The provincial government should establish Regional Development Boards with strong mandates to identify and encourage opportunities for economic development and employment creation throughout every region of Newfoundland.*

The Newfoundland and Labrador Rural Development Council should assume a stronger mandate to co-ordinate the various regional development efforts throughout the province. In addition to its present representation from the Development Associations, it should include representatives from each Regional Development Board. The Council would co-ordinate the activities of the various Regional Boards and Development Associations, ensuring, for example, the complementarity of initiatives from each region in such areas as aquaculture and small-scale manufacturing. The Council should expand its role in the area of public policy research and advise government on required changes in public policy.

Recommendation

The Newfoundland and Labrador Rural Development Council should strengthen its mandate to co-ordinate the activities of the various Regional Development Associations and Boards, and its mandate to conduct research and advise government on public policy issues should likewise be strengthened.

The Department of Rural, Agricultural and Northern Development (possibly renamed the Department of Rural and Regional Development, with its Agricultural Division reassigned elsewhere) should be strengthened as the central agency of government for serving the needs of the Regional Boards, Development Associations and the Council. For better co-ordination of development initiatives, the regional activities of the Department of Development could be incorporated into this Department. The Department's research and development arm should be strengthened considerably, and it should work closely with applied researchers at Memorial University, the Marine Institute and the College of Trades and Technology. The Department would also be charged with playing an integrating role for all government departments and agencies which have operations throughout the regions. In Chapter 13, we shall return to the issue of the need for better co-ordination of the operations of the many departments of government.

In addition to these organizational changes at the provincial and regional level, **the provincial government should reaffirm and strengthen the role of Regional Development Associations.** Their operating grant should be increased, at least to a degree sufficient to allow them to pay competitive salaries in order to retain high calibre people as co-ordinators. The RDAs should be supported in their role as catalysts for the establishment of locally controlled groups that can play a direct role in new business enterprises. To this end, government should actively encourage the formation of community development corporations. These are locally based companies formed to implement specific development projects, empowered to raise equity capital, solicit grants and loans, and to invest in a variety of local businesses. They are flexible, community-based organizations, that can be organized as co-operative or private profit corporations with majority ownership restricted to local people. They can apply for a single project or for a range of projects within either a single community or a larger region. Their main advantage is that they can be geared to the particular needs of local people. We discuss this kind of initiative further in Chapter 11.

Recommendations

The government should encourage the further strengthening of Regional Development Associations as co-ordinators of development initiatives at the local level. This encouragement should include a sizeable increase in their operating grants.

The government should encourage the growth of community-based economic structures, such as co-operatives and community development corporations, which would become directly involved in new economic initiatives at the local level.

The organizational changes we have recommended will only work if the various bodies – Regional Boards, Development Associations, community development corporations – are staffed by competent, committed, well-trained people. This implies the need for a co-ordinated education and training programme for regional and rural development in the province. Much expertise already exists here. Indeed, it is ironic that rural development experts from Newfoundland have been in demand in Third World countries, while many of our own people – Development Association co-ordinators, rural development specialists, MUN Extension field-workers – receive only a modicum of training in their specialty. We need both a major effort to upgrade the training of our current rural development workers and a better system for training new recruits in the future. Memorial University, which already enjoys an international reputation for this kind of research and education through such bodies as its extension service and the Institute of Social and Economic Research, should be charged with this responsibility, in co-operation with the new community colleges.

Recommendation

In co-operation with Memorial University, the government should initiate a strong programme of training in regional development in both the public and private sectors, geared both to those already working in the field and to new recruits. These people should be trained to assist in new enterprise endeavours. The programme should be delivered through Memorial University and the community college system.

Finally, in this section on organization for regional development, we recommend that the provincial government give legislative credibility to these new initiatives through a Rural and Regional Development Act which will outline the responsibilities and mandates of the various bodies discussed above.

Recommendation

A Rural and Regional Development Act should be passed which affirms the responsibilities and mandates of Regional Development Associations, community development corporations, Regional Development Boards, the Newfoundland and Labrador Rural Development Council and the (possibly renamed) Department of Rural, Agricultural and Northern Development.

These various changes, confirmed in a new act of the provincial legislature, would considerably strengthen the institutional infrastructure for rural and regional development in the province. Organizational change is all very well, but if there is to be a new thrust for regional development along the lines suggested here, there will also be a need for financial resources.

Regional Development Funds

It is clear, in light of its potential for job creation, that rural development has been underfunded in the past. The Business Development Division of RAND has an impressive record of creating jobs through grants sponsored by the federal-provincial Rural Development Agreement at an average cost per new job of between $2,500 (1980 to 1984) and $5,000 (1984 to 1985). This compares favourably with the average cost per new job arising from expenditures under the federal-provincial Burin Development Fund, for example, which ranges from $55,000 to $66,000. And yet the annual funding for the RAND business incentives programme was less than $1 million before 1983, and is now only $1.5 million. However, funds provided by the agreement are almost all committed and, unless new funds can be obtained before the agreement expires, there will be an 18-month period in which no grants will be issued.

It is essential that specific provision be made to establish Regional Development Funds to be administered directly by each Regional Development Board. These funds would be earmarked for providing financial assistance for long-term economic development initiatives through Development Associations, municipalities, local businesses, co-operatives and community development corporations. The provincial government will need to contribute directly to such funds. In light of its mandate to support regional development, a cost-shared arrangement should be negotiated with the federal Department of Regional Industrial Expansion (DRIE). The earmarking of a specific pot of money for regional and community initiatives will permit greater autonomy and self-reliance in rural Newfoundland.

> ***Recommendation***
> *The provincial government, in co-operation with the federal government, should provide block grants of Regional Development Funds to be administered by the Regional Development Boards in support of long-term development projects initiated from within the regions themselves.*

It is important that federal and provincial employment creation initiatives be co-ordinated. There is a danger that, especially in CEIC's new Community Futures Programme, federal efforts will give rise to parallel or duplicating organizational structures at the community and regional level. To guard against this, we suggest that a federal representative be included on the Regional Development Boards, and that every effort be made to co-ordinate all regional development initiatives through the Boards and Development Associations.

Both orders of government do provide a lot of funding for **short-term** job creation programmes, referred to locally as make-work projects. Despite much dissatisfaction with such programmes (See Chapter 12), the Commission recognizes that they will still be needed for some time to come.

Since the late 1960s, a succession of federal job creation programmes has operated in the province. In the past 11 years, through a total of 18 different programmes, more than $335 million has been spent in Newfoundland. Over 110,000 jobs were created, but virtually all of them were of short-term duration. In 1977, the province began its own programme to give work experience to people on social assistance. This is an expanding programme, with the number employed on a short-term basis increasing from 1,700 in 1977 to 8,400 in 1984. As we shall see in Chapter 12, these programmes have been used mainly to qualify people for UI benefits. The federal government has recently revamped its employment development programmes to put more emphasis on training and long-term jobs in what it calls the Canadian Jobs Strategy.

One possibility which should be explored for this province is the setting up of a special programme under the Canadian Jobs Strategy of CEIC. In announcing the new programme in June 1985, CEIC committed itself to flexibility and consultation:

> Federal initiatives will be designed to harmonize with the efforts of the provinces, and the provinces will be consulted on how federal resources can best support their own initiatives.

Six new programmes were announced as a "first step", "not the final solution to labour-market problems". The programme "is intended to evolve and to respond to emerging needs of specific regions". The Newfoundland government could legitimately argue that none of the current programmes is ideally suited to the specific needs of Newfoundland regions. What is needed in this province is a flexible funding programme for supporting new small-scale projects with long-term employment prospects. The provincial government, together with Employment and Immigration Canada, could design a new programme under the Canadian Jobs Strategy which would operate through, or at least in conjunction with, the Regional Development Funds. The programme could include a training component suitable to each region. In some places in Newfoundland, this would mean training in basic literacy and life skills, in other places more technical skills would be needed in such areas as aquaculture, agriculture and small-scale oil-related manufacturing.

Recommendation

The provincial government should negotiate with Employment and Immigration Canada to establish a programme under the Canadian Jobs Strategy specifically tailored to regional needs in Newfoundland.

Regional Development Associations, while turning their attention more to long-term development projects, would still need to play a 'broker' role in short-term job creation. They have become quite sophisticated in this, and we would hope that they will be able to tie the short-term projects more tightly to the service of long-term goals. A short-term project could be used, for example, to clear land for agriculture or to construct a building to house a new local bakery. The training component of such programmes should also be made relevant to longer-term development goals. In these ways, jobs on short-term projects could be made meaningful and make-work programmes could be turned to the service of true employment creation.

Recommendation

First preference in awarding short-term job creation monies (both federal and provincial) should go to projects which are integrated into larger long-term projects aimed at creating permanent employment, and which provide training and/or work experience that is relevant to such long-term projects.

The key requirement, however, is that the new Regional Development Boards be provided with sufficient funds for financing new long-term development initiatives aimed at creating permanent jobs, and that this support be sustained over a number of years while the Boards gain maturity. Some of the new initiatives would come directly from the Boards themselves, but most would come from Development Associations, municipalities, other community groups and individuals. Funding for several projects would also be provided through new funding sources for small-scale enterprise, as we shall discuss in Chapter 11. What kinds of projects do we envision?

Substantive Development Prospects

It is all very well to design new organizational structures for promoting community and regional development, but a sceptic might legitimately ask: Are there really many opportunities for small-scale economic developments in Newfoundland communities and regions? Is there any **substance** to our vision of high-employment, post-industrial villages in Newfoundland?

Since we are discussing the future, we cannot answer these questions with direct evidence. However, experiences in other regions similar to Newfoundland, and a number of positive examples of successful small-scale development here (even in the absence of a major policy thrust in this direction), support the contention that – given strong political and social commitment – regional development can be a very dynamic and successful process.

By the mid-1960s, the Highlands and Islands in the north of Scotland had become a depressed area of Great Britain. In 1965, through an act of parliament, the British government set up the Highlands and Islands Development Board (HIDB). The aims of the Board are to assist the people of the region to improve their economic and social conditions and to play a more effective part in the development of the nation as a whole. The Board has a strong mandate, wide-ranging powers and a healthy budget from which it can give financial assistance by way of grant, loan or equity investment for new or developing enterprises.

It was hoped that the Board could help people to become more productive, to retain a valuable way of life and to preserve their social fabric. The Board has recently been thoroughly reviewed by government, and has been found to have succeeded in achieving many of its objectives: it has played a dominant role in transforming the economy of the Highland region.

The HIDB began with no fixed master plan, but has remained flexible and open to new development opportunities as they emerge. In its early years, it became involved in large-scale industrial projects north of Inverness, including the promotion of a platform fabrication yard and pipe-coating yard for serving the offshore petroleum industry. In recent years, more attention has been paid to small-scale activities in more remote parts of the region, including fish processing, aquaculture, tourism and small-scale farming. The HIDB has been described by one Scottish administrator as a "one-stop development shop".

Since 1974, the HIDB has granted, loaned and invested some $350 million in rural development, a figure similar to the monies spent on make-work projects in Newfoundland during the same period. The difference is that the HIDB monies have gone into long-term development projects which provide permanent jobs.

The 'ten-week syndrome' is unknown in the Highlands and Islands. Whereas out-migration had been a major problem in the region before 1965, with the population falling to under 300,000, this trend has since been reversed. The resident population is now around 345,000. Whereas the unemployment rate was around four times the national average in 1965, it is now only marginally above the Great Britain average, and below the Scottish average. This change has been due to a number of factors, but the Board's contribution has clearly been important. As it has gained maturity, the Board's performance has improved. In the period 1971 to 1975, 7,000 jobs were created with its assistance of which 1,150 (16.4 per cent) were retained in the long term; from 1978 to 1982, 8,750 jobs were created, with 3,750 (42.9 per cent) retained. The average cost per job created was in the order of $15,000, which compares favourably with the costs of make-work jobs in Newfoundland. Unlike make-work projects, these retained jobs have a cumulative effect. A significant and increasing proportion of the jobs created have been retained in subsequent years. This means that they also have a much greater multiplier effect than make-work jobs, giving rise to increased economic activity and therefore to the creation of more spin-off jobs over time. This is clearly important in creating a positive business climate. In other words, the job creation efforts of the Highland Board and, by extension, of the Regional Boards advocated for Newfoundland, can give rise to a dynamic process of economic growth and enterprise that is missing from the UI make-work system.

Another feature of the Scottish case, of great interest to Newfoundland, is the HIDB's support of occupational pluralism. The Board's current chairman recently commented:

> It is important to appreciate that, unlike other parts of the country, in our area different sectors of the economy are very closely intertwined. In fact the same individual may be often making his living by two or three different forms of activity in the Highlands. So if we are to help effectively, we must be able to get involved in, for example, agriculture, forestry, tourism, manufacturing, etc.[3]

This official support is reinforced in the Board's latest annual report which notes: "In the rural hinterland, and particularly in the traditional crofting areas, the need for families to pursue simultaneously a range of occupations is as strong now as ever."[4] Rural Newfoundlanders have never enjoyed this kind of official support for their traditional economic adaptations.

Other European countries have also committed themselves to regional and small-scale development in recent years. The Irish government has actively encouraged similar developments in the west of Ireland, largely through co-operatives. France has been highly innovative in implementing new schemes to promote small-business enterprise in rural communities. The Scandinavian countries probably have the longest record of commitment to preserving and developing their hinterland regions. It is the express policy of the Norwegian government to maintain viability in the country's sparsely populated regions, especially in northern Norway. It uses general revenues, including those from oil, to subsidize the incomes of northern fishermen up to the industrial average for Norway; it uses a decentralized system of providing government services (government itself is a major employer in the region) and it supports a decentralized banking and financial system attuned to the small-scale needs of entrepreneurs in the north. Moreover, Norway's fastest growing industry, aquaculture, is strictly controlled to ensure that major benefits accrue to small-scale operators in coastal communities.

Probably the most dramatic and impressive example of successful regional development anywhere is in the Mondragon area of Spain. This region was devastated after the Spanish Civil War but, starting with the initiative of a local priest, it has used a co-operative form of enterprise to evolve into a highly complex, technologically sophisticated industrial area. It has yearly sales of almost $1 billion and employs 20,000 workers. Mondragon includes not only industrial enterprises such as the manufacture of home appliances, but it also has its own bank and its own training programmes and schools. It is a shining example of what can be achieved by hard work and commitment to regional development.[5]

Closer to home, there are a number of examples of successful regional development in Canada. Most of these have emerged in the face of crisis, rather than with full-hearted government support. In the rural villages east of Rimouski in Quebec, a group of small farm owners have combined to establish a woodlot operation. Their operation, known as J.A.L., also owns a number of small enterprises which have helped the villages survive despite their forecasted demise. New Dawn Enterprises is a Cape Breton example which, over 10 years, has succeeded in establishing a home for the aged, dental centres, a used auto parts business and a large real estate portfolio. In Nanaimo, British Columbia, many small community businesses have been established to provide a range of business and social services. The aim is to achieve greater self-reliance, and more local employment, by producing goods and services locally which had previously come in from outside the region.[6]

In Newfoundland, the best example of locally initiated regional development is the Fogo Island Co-operative. Faced with the prospect of resettlement and an unsympathetic government in the 1960s, the citizens of Fogo Island, aided by some rural development specialists at MUN Extension and the provincial government, decided to form a co-operative to keep their fish plants going after the private operators in the area withdrew. With several ups and downs over the years, and with a significant amount of government financial assistance (which private operators also enjoyed), the Fogo Co-operative has proved successful. It is the centre of a viable inshore fishing industry in one region of Newfoundland.

A more recent example is the Straits area of Labrador. When the Bank of Montreal closed its local branch at L'Anse au Loup in 1984, the residents of the community decided to form their own credit union and the former manager of the bank branch became its first manager. The credit union has been successful so far and now has 1,068 members and $2.66 million in assets. The Straits area as a whole has developed a sense of regional identity and, through the promotion of fisheries, tourism, crafts and other small-scale enterprise, could well become a vibrant sub-region of Labrador.

The Commissioners believe that many sub-regions of Newfoundland (defining a sub-region as smaller than the areas covered by the proposed Regional Development Boards, but larger than single communities) have untapped potential for development – the Great Northern Peninsula, the Connaigre Peninsula, the Bay d'Espoir area and so on. A background report to this Commission entitled "Sustainable Communities and Self-Reliant People", describes how certain underdeveloped or depressed sub-regions in Canada and other parts of the world have achieved a measure of self-reliance by capitalizing on local resources and opportunities. In most cases, these success stories came about because a small group of dedicated people worked hard to put in place the organizational and institutional framework that made local development possible. This allowed positive attitudes on the part of all involved to become firmly established, leading to self-sustaining growth in the sub-regions concerned.

Conclusion

Based both upon its analysis of Newfoundland's economic prospects and upon the comments made to us by people in all parts of the province, the Commission believes that a new thrust for regional and community development should form an important part of any long-term strategy for employment generation in Newfoundland. This will not be a panacea, but experience in other countries demonstrates that there are real possibilities for local-level economic and employment growth through a well-supported system of community and regional development. Such an initiative would be particularly valuable in the rural areas of the province where the unemployment rate is highest, but urban service centres would also benefit. Development strategies should incorporate and co-ordinate both rural and urban communities in each region.

This chapter has been concerned mainly with the institutional mechanisms needed to support this new thrust. We have argued in favour of three basic elements: the formation of new Regional Development Boards to promote, support and co-ordinate community and regional development projects throughout fairly large regions; building up the strengths of the 54 Regional Development Associations throughout the province so that they may become the leading force in development initiatives at the micro-level, and creating Regional Development Funds earmarked for long-term development projects and the creation of permanent jobs. These basic initiatives would be supplemented by sound educational programmes to train regional developers; by strengthening the Newfoundland and Labrador Rural Development Council and the provincial government department responsible for regional development; by better co-ordination of the efforts of the regional offices of provincial and federal government departments, and by gearing short-term job creation projects to supporting larger, long-term projects.

The establishment of such strong institutional supports for community and regional development, combined with specific industry initiatives such as those discussed earlier in this Report for fisheries, aquaculture, agriculture, animal products, tourism and communications, along with the strengthening of rural education through the school system and community colleges, should remove much of the alienation felt by many people in our society and contribute significantly to employment enhancement. The success of most community and regional development efforts will, in turn, depend upon the success of numerous small enterprises throughout the province.

Notes

1. Robert Thompson, *Persistence and Change: The Social and Economic Development of Rural Newfoundland, 1971 to 1981* (St. John's, Newfoundland: Government of Newfoundland and Labrador, 1983). p. 31.
2. Thompson, p. 33.
3. See Stratford Canning, "The Institutional and Policy Framework of Rural Development Planning in Scotland and Newfoundland: Historical Experience and Future Directions", Background Report to Royal Commission on Employment and Unemployment, 1986, p. 11.
4. See Canning, "The Institutional and Policy Framework", p. 11.
5. See Gregory J. MacLeod, "Community Economic Development," *People and Jobs International*, No. 2 (Autumn, 1985), p. 20.
6. See MacLeod, p. 20.

CHAPTER 11

Small Enterprise and Employment Creation

Since September 1984, the small business sector has created close to 450,000 jobs, about 70 per cent of all new jobs in Canada during that period. If this trend continues nationally, by 1990 small businesses will account for 90 per cent of all new jobs. Recognizing this, in a speech given in Gander in June 1986, the federal Minister of State for Small Business stated that small business had become "the driving force behind the Canadian economy and long-term job creation". In other words, encouraging small business has become a policy thrust of the federal government, should become so for the provincial government and is so for this Commission. We believe that small business should be supported more vigorously because of the contribution it can make to self-reliance and employment potential in all regions of the province.

Newfoundland is lagging behind the rest of Canada in small business growth, and hence in employment generation through this means. The Commission estimates that, although our province accounts for approximately 2.3 per cent of the Canadian population, only about 1.5 per cent of business establishments are located here. If we were to increase our proportion of businesses to equal our proportion of the population, thousands of new jobs would be created. To put it another way, if we had 1,000 new entrepreneurs each year who hired 10 people each, we could create the 10,000 jobs a year needed to bring our unemployment rate down to the national average.

'Small business' includes such activities as the following: a one-person operation such as a small farm or a small-boat fisherman; a mini-firm or family-type business, such as a corner grocery store or small handicraft business, and larger operations, such as small manufacturing firms. The requirement for employment is so great that all avenues for small enterprise job creation must be encouraged. However, although the initial start-up costs may require government support, we should stress that we are not in favour of developing a small business or enterprise sector consisting of projects which continually tap into public funds for survival but, rather, of creating a vibrant and viable sector in which enterprises operate as self-reliant entities which can be mutually self-supporting. The Commission hopes that small enterprise can contribute to direct job creation and to diversifying the economies of single-industry communities.

Part of what is needed is a basic change of attitude in this province towards business and entrepreneurship. Perhaps as a legacy of the old merchant system, Newfoundlanders tend to be suspicious of businesspersons, particularly if they are successful and earn a lot of money. In small communities, individuals are sometimes frowned on if they become too ambitious and try to 'get ahead' of other people. To the extent that it discourages self employment and entrepreneurship, which are badly needed today, this attitude has negative effects. The same suspicious attitude towards local businesspersons also affects our policy-makers and government officials, who pay lip-service to local enterprise but are not active enough in their support of it. Many times, we seem to be more supportive of outside companies than we are of our own. This helps to account for the high degree of outside ownership in the Newfoundland economy and to explain why local preference guidelines have not been rigorously enforced.

By 'small enterprise', the Commission does not mean only small, privately owned firms, although that is clearly the dominant form of small enterprise in our province. We also lag behind other regions of Canada and other countries in the growth of alternative forms of small enterprises – notably producers' co-operatives and community development corporations – whose motive for existence may be to finance needed social services for the community from revenue-generating activities. **In keeping with its pragmatic approach, the Commission supports employment creation through all forms of small enterprise, regardless of how few people are involved or what organizational form the enterprise takes.**

Widely defined, small enterprise is a driving force in our economy and an important part of our society. Although not normally perceived as such, inshore fishermen are in fact small businesspersons and every community in Newfoundland depends on its corner store and small service establishments. Newfoundlanders are enterprising people in all sorts of ways. We need to channel this energy more effectively into small enterprise growth. This is particularly important because, as we have seen, neither our big resource industries, nor the public sector, can be counted on to provide all the jobs that Newfoundlanders need.

The central question we address in this chapter is this: How can small enterprise be stimulated in this province? Unfortunately, there are no simple answers, but there is much that can and should be done and we will elaborate upon this later. First, however, we review the current situation with respect to private small businesses, discuss co-operatives and community development corporations as alternative forms of small enterprise, and provide an overview of the many government programmes that are already geared to the small business sector.

Small Business in Newfoundland

Any attempt to examine the small business sector in Newfoundland is seriously hampered by the lack of an accurate data base on businesses in this province[1]. There is very limited information available on the number and type of businesses, number of employees, sales volume, number of business start-ups, failure rates, diversification and expansion potential, and productivity levels. Consequently, a precise definition of 'small', 'medium' and 'large' businesses in the Newfoundland context is difficult to establish.

Statistics Canada's Business Register indicates that the private sector as a whole in Newfoundland employs more than 121,000 people, including people employed in large corporations such as Abitibi-Price, the Iron Ore Company of Canada (IOCC) and Fishery Products International (FPI). This should be compared to a total public sector employment figure of 55,000 persons. There were an estimated 14,663 business establishments active in Newfoundland as of July 1985 (See Table 11.1). More than half the business establishments in Newfoundland (and also in Canada) are found in the trade and community, business and personal services categories of the service sector.

The lack of current reliable data seriously hinders our ability to estimate how many of these businesses can be classified as 'small'. Using either sales volume or number of employees as the yardstick results in unsatisfactory inclusions and exclusions. Indeed, despite the appointment of a Minister of Small Business, even the Government of Canada has made no attempt to legislate, or even officially accept, a definition of small business. Nor has the new division of Small Business and Technology established by the provincial Department of Development and Tourism addressed the question of defining a small business, although officials in the new division have stated that "typically, small business is considered as a company with less than $2.5 million in sales and less than 100 employees".

Table 11.1
Sectoral Comparison of the Number of Establishments in Newfoundland and Canada[1]

July 1985

Industry	Newfoundland	Canada	Ratio[2]
Primary Sector			
Agriculture	310	88,733	0.35
Forestry	198	8,760	2.25
Fishing and Trapping	191	5,952	3.21
Mining	43	6,301	0.68
Total Primary	**742**	**109,746**	**0.68**
Secondary Sector			
Manufacturing	570	54,823	1.04
Construction	1,786	115,674	1.54
Total Secondary	**2,356**	**170,497**	**1.38**
Tertiary Sector			
Transportation	914	44,418	2.06
Trade: Retail	3,668	179,478	2.04
Trade: Wholesale	837	56,591	1.48
Finance, Insurance and Real Estate	496	70,349	0.71
Community, Business and Personal Services	4,906	319,895	1.53
Public Administration	744	9,936	7.49
Total Tertiary	**11,565**	**680,667**	**1.70**
Total Overall	**14,663**	**960,910**	**1.53**
Population	**580,000**	**25,551,200**	**2.26**

[1] While these data are derived from Statistics Canada Business Register Arrays, they include establishments which are not strictly speaking 'businesses'. For example, the Community, Business and Personal Services category includes establishments such as hospitals; Public Administration includes administrative offices of the federal, provincial and municipal governments, such as government departments, police and military establishments and crown corporations.

[2] Newfoundland as a percentage of Canada.

Source: Atlantic Consulting Economists Ltd., "Small Business and Job Creation", Background Report to the Royal Commission on Employment and Unemployment, 1986.

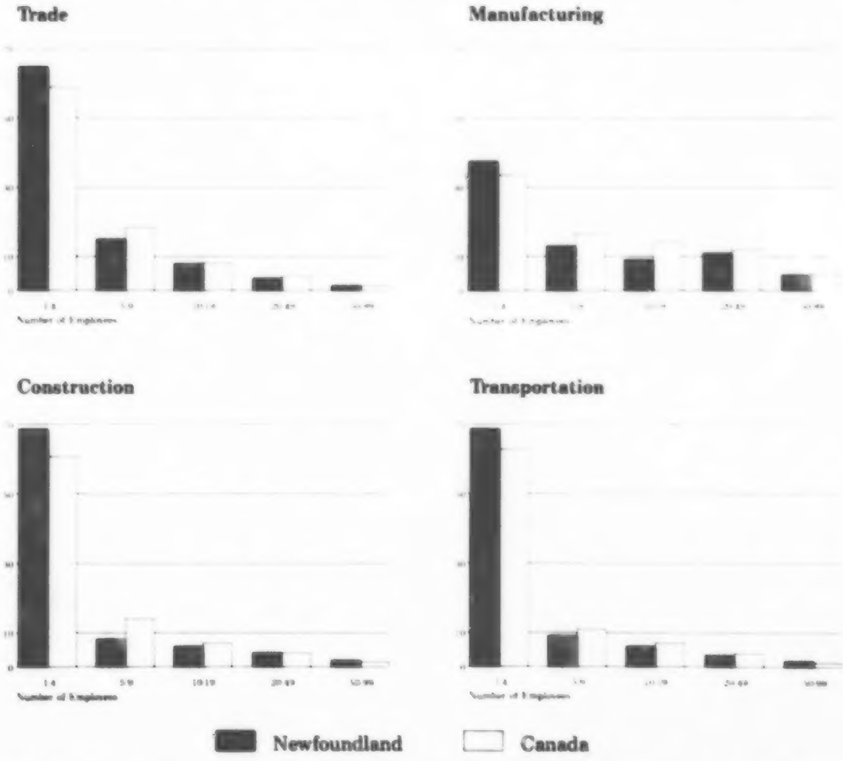
After reviewing several possible definitions of small business in Newfoundland, the Commission has adopted as its own definition, "enterprises that are Newfoundland owned/managed and have less than 50 employees". This definition includes most companies in Newfoundland with the exception of big resource, manufacturing and construction firms. By national standards, the vast majority of companies in Newfoundland are small enterprises and the definition is a useful one for our focus on employment creation.

Figure 11.1 contrasts the distribution of Newfoundland establishments by employment size with that of the rest of Canada. Newfoundland has a larger proportion of business establishments with four employees or less. It is clear that these small firms already form a significant part of our economy; it is to be hoped that, given their importance in economic development, their numbers will continue to grow.

Figure 11.1

Distribution of Business Establishments by Number of Employees for Selected Industries

Newfoundland and Canada, 1985 (Per cent)



Source: Atlantic Consulting Economists Ltd., "Small Business and Job Creation", Background Report to the Royal Commission on Employment and Unemployment, 1986.

Despite the obvious importance of small business and its potential for employment growth, the Commissioners were disappointed during the public hearings to learn that few Newfoundlanders seemed to be aware of, informed about, and interested in, self employment. Young people in particular expressed interest only in working 'in the other man's army', and often seem to have felt that big corporations, local firms or the government should provide them with jobs. At the same time, many of them expressed suspicion about business, failing to see the connection between successful entrepreneurship and job creation. This is not so much the fault of young Newfoundlanders themselves as it is the fault of the overemphasis in our education system upon training for 'finding a job', and of political and media preoccupation with attracting industry to the province to 'provide jobs', rather than encouraging us to create jobs for ourselves. Again, this is an attitude problem. We need to focus more upon self-reliance in Newfoundland and less upon expecting outside corporations and governments to provide jobs for us.

We would emphasize that what we are advocating here is self-reliance and small enterprise of every kind. In Newfoundland at present, most small enterprises are individual or family-owned private businesses. This is an encouraging sign and the Commission feels that this form of enterprise should be strongly supported because of its job creation potential. But we are equally supportive of other forms of small enterprise that have employment-generating potential which has not yet been fully appreciated in Newfoundland.

Co-operatives

'Third Sector' enterprises (neither public nor private in the conventional sense) have recorded considerable growth throughout the industrial world in the last decade. Being neither individually owned private firms, nor government-sponsored crown corporations, co-operative enterprises represent an innovative mixture of the private interest and the public good. The recent world economic recession has led to the proliferation of these types of enterprises in England, France, the United States, Spain and other parts of Canada. Some Newfoundlanders have come to seek innovative Third Sector enterprise solutions to problems of regional economic development. The creation of the Fogo Island Co-operative in 1967, the Torngat Co-operative in northern Labrador in 1980, the Petty Harbour Fishermen's Co-operative and the Bell Island Community Development Co-operative in 1985 were all the result of enterprising local initiatives.

Co-operatives and credit unions in Newfoundland have annual (1985) business volumes of $164.5 million and assets of $130 million. This means that there already exists a sizeable Third Sector in the Newfoundland economy. Most of the province's 78 co-operatives, however, are actively engaged in providing retail services through 16 consumer co-operatives, expanding financial services through 17 credit unions and offering affordable accommodations through 24 housing co-operatives. There are only 21 producers' and workers' co-operatives in the province; the proportion of the Newfoundland population which has membership in co-operatives is smaller than in any other province in Canada. The Commission sees the growth of workers' and producers' co-operatives as an important adjunct to privately owned small businesses.

Few people – both in our public hearings and in our discussions with public officials – knew about, or considered, co-operative development as a potential part of the solution to the province's unemployment problem. Co-operatives, and the potential they offer to help create employment, are one of the best kept secrets in Newfoundland. Producers' co-operatives (which are essentially small businesses owned by local producers such as fishermen) and workers' co-operatives (owned by the workers themselves) are promising, but underdeveloped, forms of enterprise for Newfoundland communities. Such co-operatives provide people with an opportunity to take their savings and invest them, along with those of other people, essentially to create their own jobs. It is crucial to bear in mind here that, as for any business, long-term success depends upon entrepreneurial effort and sound business practices. Co-operatives are particularly suitable to such community-level enterprises as small fish plants, fish markets, fish farms, bakeries and local services such as day care centres.

Small Enterprise Agencies

In other parts of Canada, as well as in several European countries, it is now recognized that other kinds of community enterprise are also possible.[2] We described some of these in Chapter 10. 'Community businesses' operate as traditional small businesses, but their inception comes as a result of local resources being identified and used, and local people being responsible for the development and operation of the business. While such enterprises are geared toward serving the interests of the community as a whole, it is misleading to describe them as 'not for profit'. No community enterprise can ignore profit, either as a source of motivation or as a resource for further development. The key factor is the kind of arrangement that is made for the use and distribution of those profits. Community enterprises use profits either for re-investment in the business itself, or for the benefit of the community. In many instances, the most urgent locally perceived need is the need to create jobs. Thus, while the aim is to create a commercially viable enterprise, the underlying objective is to generate employment.

Community enterprises in other parts of North America and in Europe have usually taken the form of local enterprise trusts or community-owned businesses. Local enterprise trusts encourage private-sector companies to become involved in tackling community problems in their local areas. Some large corporations, concerned about high unemployment, have taken on the responsibility of contributing financial and technical support to the establishment of such enterprises. The trusts are thus equipped with personnel who can provide business advice and who can recognize and encourage the development of local potential: they act, in effect, as umbrella organizations for the creation of small business ventures. There is no reason in principle why large corporations in Newfoundland could not also become involved in this kind of enterprise, perhaps along the lines of the International Nickel Company (INCO)'s participation in the development of community enterprises in Sudbury, which we discussed in Chapter 6. It is important here that funding be sufficiently long term to secure stable enterprise and to avoid problems of under-capitalization in the early years of such projects.

A different kind of umbrella agency that fosters local enterprise is the community development corporation, such as the New Dawn community development corporation, established in Sydney, Nova Scotia in the early 1970s. Here, the community itself identified its needs, sought funding and became self-sustaining, performing socially successful and economically viable undertakings. By using small enterprise as a tool for development, New Dawn provided a large number of jobs and skill training and by 1980, it had injected over $4 million into Cape Breton. This kind of agency could also work in Newfoundland. Another option, which has been tried with some success in other countries, is to allow unemployed people to draw a portion of their Unemployment Insurance (UI) benefits 'up front', either to invest in small private or co-operative enterprises, or to establish small enterprises of their own.[3] In this option, unemployed persons continue to be paid benefits during the start-up of the new business rather than being penalized by having their UI withdrawn while they are working for themselves. This possibility is built into plans for the Canadian Jobs Strategy Community Futures Programme. It is a good idea, but it is severely restricted, since it applies only to a few select communities which qualify for the programme. This option should be made more widely available.

The Commission would not expect to see in the immediate future large numbers of new enterprises started and new jobs created through co-operatives, community businesses and self-employed ventures by the unemployed themselves. We do believe, however, that every avenue for incremental employment enhancement should be vigorously pursued, no matter how modest. In time, thriving co-operative and community enterprise developments could contribute significantly to employment. Meanwhile, our best opportunity in the short term is to stimulate small private business growth in the province. We need to entice more Newfoundlanders who can afford to invest in their own province to do so, and we need to encourage more Newfoundland entrepreneurs with innovative ideas to take a risk by starting and expanding small businesses. Government has the responsibility to create a positive climate for business investment, to ensure that young Newfoundlanders are well-informed about self employment, to provide information and advice to local entrepreneurs and to help businesses get off the ground through start-up capital support programmes.

Government and Small Enterprise

In the next section, we will make a number of recommendations about how government's contribution to small enterprise growth can be enhanced, but first we wish to acknowledge that there are already many government programmes in existence, both federal and provincial, whose purpose is to provide financial and managerial assistance to business. Indeed, during the last 10 years, the mechanisms devised by governments to provide assistance to business have expanded considerably. A large number of individuals are employed by the provincial government alone in administering small business programmes throughout the province. There are two federal departments, two provincial departments, two crown corporations and an institute at Memorial University which all include in their mandates the provision of assistance to small business in Newfoundland.[4]

Federal Government Departments.

The Department of Regional Industrial Expansion (DRIE) was established in

1982, incorporating elements of the former departments of Industry, Trade and Commerce, and Regional Economic Expansion. DRIE operates three main programmes from its offices in St. John's, Corner Brook and Goose Bay. The Industrial and Regional Development Programme promotes regional industrial development through financial assistance for the establishment of new production facilities. *The Small Business Loans Act* assists new and existing small businesses in obtaining term loans from chartered banks and other designated lenders. DRIE's other activity is the administration of several 'subsidiary agreements' between Ottawa and Newfoundland through which the federal government contributes to industrial development in the province. Eight such agreements were active as of October 31, 1985. Several of the agreements, such as Tourism Development II and Ocean Industry Development, provide financial assistance to business.

Employment and Immigration Canada, through the Canada Employment and Immigration Commission (CEIC), has three programmes geared to small business: Small Business Initiative, a Student Business Loans Programme and the Canadian Jobs Strategy. The first aims to identify local small buinesses, meet with the owners regularly and provide assistance in referrals to government programmes currently available. The second provides interest-free loans of up to $2,000 to students who operate small businesses during the summer before returning to school in the fall. The Canadian Jobs Strategy is an attempt to improve upon federal job creation programmes. It helps businesses through such means as assisting employers and employees to acquire new skills, and reimbursing wages to employers who hire and train new workers to fill their need for skilled labour.

Provincial Government Departments.

In 1985, Small Business and Technology was established as one of the four divisions of the Department of Development and Tourism. The branch is taking a number of initiatives designed to stimulate small business. For example, it is negotiating with the federal government for a Small Business/Industrial Development Agreement to cover such things as management training and aquaculture development. The Investment, Trade and Promotion Branch of the Department of Development also provides assistance to small businesses, for example, through counselling companies in the preparation of business proposals and feasibility studies.

The Department of Rural, Agricultural and Northern Development (RAND) has a director of business development responsible for its small business programmes. Through Rural Development Authority Loans, RAND encourages small industries to establish or expand. From 1973 to 1986, a total of 2,378 loans were made with a total expenditure of $23.6 million. Through a federal/provincial Industrial Incentives Programme, RAND also provides up to 50 per cent of the eligible capital costs for projects in the primary resource and manufacturing industries, as well as for service industry projects that support manufacturing or processing industries.

Crown Corporations.

The Federal Business Development Bank (FBDB) was established in 1974. The official objective of FBDB is to assist the establishment of business enterprises in Canada by providing financial assistance, management counselling and training and information and advice, with attention to the needs of small enterprise. Its main function is to act as a lender of last resort to business ventures turned down by the chartered banks. FBDB loaned over $80 million in Newfoundland during the period 1980 to 1984. It is worth noting, however, that FBDB has made only a limited number of equity investments.

The Newfoundland and Labrador Development Corporation (NLDC), jointly funded by both orders of government, was set up in 1973 to be responsible for expanding employment in the resource industries through the development of small business enterprises. It provides both debt and equity investment but, again, the latter constitutes only a minor part of NLDC's involvement. In 1985, the Corporation began to administer a Venture Capital Programme. This allows investors in Newfoundland to establish a venture capital corporation by putting up a minimum equity investment of $25,000, which is then eligible for an interest-free loan equal to the amount invested in the corporation by its shareholders. The venture capital corporation in its turn seeks to invest in promising local enterprises. NLDC also has an extensive information and advisory service available to businesses in Newfoundland.

Memorial University of Newfoundland.
A division of the Faculty of Business Administration, the P.J. Gardiner Institute for Small Business Studies was founded in 1978. The Institute carries out research on small business, compiles small business case studies, offers seminars to businesspersons and advises individuals who want to start up small businesses. It also helps prepare feasibility studies and financial statements, gives instruction in accounting and bookkeeping and carries out market analysis and marketing research studies.

Despite this impressive array of support programmes for small business, the business community itself and many would-be entrepreneurs who addressed the Commission, feel that government programmes are not working as effectively as they should. It is generally agreed that government officials are for the most part passive and reactive, rather than outgoing and proactive, in administering their programmes. It is also felt that they tend to be hidebound by rules and regulations rather than be creative and development-oriented. As a result, many would-be Newfoundland entrepreneurs feel remote from government and unable to benefit from its programmes. **The attitude toward small-scale local initiatives is too often negative and sceptical instead of positive and supportive.**

This is also the case for alternative forms of community-based enterprise, such as co-operatives. For example, the Department of Fisheries is reluctant to allow provincially owned fish plants to be converted into locally owned co-operative enterprises. With the exception of RAND, there appears to be an attitude of 'benign neglect' within both the provincial and federal governments towards co-operatives, and this seems to be reflected in public attitudes as well.

New Initiatives for Small Enterprise

Despite the good intentions of both orders of government, their programmes are not as effective as they might be in stimulating small enterprise, and, through it, employment. The Commission suggests that the sheer variety and complexity of government programmes might constitute part of the problem. Perhaps it is time to return to basics, to identify the needs of investors and entrepreneurs themselves and then reorient government programmes and initiatives to meet those needs.

The first requirement we have identified is for sound **information and advice.** The province should have an accurate and up-to-date data base on small business, a continually updated file of potential ideas for business development, and easily accessible information about all government and private-sector programmes geared to serving existing or would-be entrepreneurs. This information should be readily available to people in all parts of the province, and it should be backed up by sound advice on all aspects of small enterprise: types of business organization, capitalization, feasibility studies, labour relations and marketing, to name a few. This issue was raised at several of the Commission's hearings. The following excerpt is from a submission received in Stephenville:

> One of the major problems I have found among potential businesses is where to look for help and information. There are a variety of government programmes available but there seems to be inadequate informational service.

Updated information should also be available on the supplies, goods and services purchased annually in all government departments and agencies. This information would allow would-be entrepreneurs to know the potential for business with government itself. While the Commission is reluctant to recommend the creation of new agencies, it has identified a real need here. We advocate the establishment of a network of **enterprise centres** in the province which would serve as 'store-front' locations for aspiring entrepreneurs, and would provide all the information and advice services mentioned above. Initially, for example, there could be up to five such centres corresponding to the five regions established for the community colleges and regional development boards discussed earlier. There would be a central data bank, with each regional centre connected by computer to this central bank.

The enterprise centres should be independent of government and staffed by people with considerable hands-on business experience. Through a system of 'mentors', new businesspersons would be assigned an adviser to guide them through the initial stages of their business careers and help them deal with government programmes, regulations and the bureaucracy. Each centre could be approached directly and informally by people already in small business as well as potential new starters, many of whom might be reluctant to approach central or local government organizations. We suggest that these enterprise centres be established for an initial five-to-seven-year period and then reviewed for their effectiveness. Eventually, they could become at least partially self-financing through a charge for services rendered or through a share in the profits of successful enterprises, but it is important that they not charge any up-front fees to new starters.

One of the main components of such centres would be the support given them by companies which would make financial contributions to their local centre and/or pledge managerial and technical expertise. In fact, the secondment of a company's director to lead a centre would be the most significant contribution a company could make. A central co-ordinating board would be established which would be responsible for the regional store-front operations, with the operating costs of this system funded jointly by the federal and provincial governments.

> ***Recommendations***
>
> *A comprehensive data base should be compiled on small enterprise in Newfoundland to evaluate the benefits to the province in job creation and provincial revenues, and to help stimulate government and popular interest in small enterprise.*
>
> *Regional enterprise centres should be established through the co-operation of the federal, provincial and municipal governments, Regional Development Associations and local businesses. They should be funded by the federal and provincial governments for an initial five-year period and then reviewed for their job-creating effectiveness.*

Related to, but different from, the need for sound information and advice, is the need for streamlining the bureaucracy and cutting back the 'red tape' that new business ventures have to deal with in their relations with government. Again, this was a much-cited problem at our public hearings:

> A tremendous bureaucracy exists that local enterprises have to try and understand if they wish assistance. There has to be a more streamlined approach to administer the numerous programmes that exist now.

It is not only programmes for business, but government regulations of many kinds, ranging from environmental controls through labour relations practices to tax laws, that the new businessperson has to cope with. We were told of more than one example where an entrepreneur, given permission to proceed with a venture by one government department, was subsequently turned down by another. This kind of problem could be minimized by the use of the enterprise centre and by a change of attitude within the bureaucracy which would make it receptive to, and supportive of, the needs of entrepreneurs.

During the public hearings, many people also expressed frustration at the lack of decision-making authority afforded regional offices of government departments, such as the Department of Development and Tourism, and a similar sentiment was expressed privately by government personnel working in the regional offices. The Commission feels that decision-making should be more decentralized, at least on a trial basis.

> ***Recommendation***
>
> *The regional offices of government departments, including the Department of Development and Tourism, should be granted the authority for approval, on a trial basis, of projects within a set monetary limit.*

Another requirement of new enterprises, perhaps the most important in the long run, is for a sound capital base. In the Commission's view, governments tend to focus too much upon loan guarantees and debt financing and not enough upon other means of financing, such as equity. Loan programmes are helpful, but they leave many fledgling businesses with heavy debt loads. Short-term troubles then mean that loan payments cannot be met, a firm has to sell off its assets or declare bankruptcy, and a potentially viable business fails. Equity investment, by contrast, is carried as an equity in the firm. This equity investment, while still a liability of the company with respect to the investor, is not usually expected to be repaid in the short term. When times are bad, shareholders simply receive little or no return on their investments, but the firm can survive until business improves and the shareholders will then be rewarded. This principle can apply to public as well as to private investment. The financial turnaround at Fishery Products International, for example, was effected essentially by the governments' and the Bank of Nova Scotia's converting debt to equity. A similar principle should apply to some types of businesspersons, such as the indebted longliner fishermen. The same principle should apply more generally to government financing programmes for small business.

> ***Recommendation***
> *Both orders of government should revise their programmes for small business to include a greater proportion of equity or other means of financial assistance as opposed to debt financing or guarantees.*

We would also argue that government, as investor, should not try to determine the type of industry in which its clients should invest. We saw earlier that the service sector is the fastest growing part of our economy. Despite this, several government programmes are restricted to investment in resource and manufacturing industries. We would advocate instead that market forces and free entrepreneurial decision-making should determine the type of enterprise in which investment should take place.

> ***Recommendation***
> *Government financial assistance programmes to small business, including the Newfoundland and Labrador Development Corporation's venture capital programme, should be unrestrictive as to the type of industry in which investment should occur.*

So far, we have considered only **government** programmes for capitalizing small businesses. More important, however, are **private** and **community-based** forms of capitalization. We have to distinguish here between the needs of **investors** and the needs of **entrepreneurs.**

Newfoundland is doubly disadvantaged in terms of investment capital. Not only do Newfoundlanders have less money to invest than other Canadians - as is evidenced by their smaller share of personal savings (See Table 11.2) - but also their most accessible, and most secure, investment outlets are national banks and finance companies through which local capital flows out of the province. It has been estimated that $50 million is invested by Newfoundlanders in Registered Retirement Savings Plans alone. We believe that Newfoundlanders would invest more in their own province if it were financially attractive for them to do so.

In recent budgets, the provincial government has undertaken a number of initiatives, notably the Newfoundland and Labrador Development Corporation's Venture Capital Programme, to promote investment in the small business sector. It is suggested that further encouragement be given to local investors to provide forms of seed capital for small business. This could take various forms, such as the following:

(i) Investment Tax Credits, to be offered to persons for arm's length equity investments in small businesses in Newfoundland. In the absence of an agreement with the federal government on this matter, a rebate system could be established using the provincial government's portion of the income tax collected.

Table 11.2
Personal Income and Personal Savings

Newfoundland and Canada, 1969, 1979 and 1984

	$ Thousands Per Capita — Newfoundland			$ Thousands Per Capita — Canada			Newfoundland Per Capita as Percent of Canada		
	1969	1979	1984	1969	1979	1984	1969	1979	1984
Personal Income	1.7	6.1	9.7	2.9	9.1	14.4	58.6	67.0	67.4
Personal Disposable Income	1.6	5.1	8.1	2.4	7.4	11.5	66.6	68.9	70.4
Investment Income	0.1	0.1	0.4	0.1	0.9	1.6	100.0	11.0	25.0
Personal Savings	0.1	0.3	0.6	0.2	1.0	1.7	50.0	30.0	35.3

Source: Calculated from Statistics Canada 13-213.

(ii) A direct grant, to be given to an investor, which would be a percentage of his/her investment. The purpose of this is to encourage local investment.

(iii) A direct grant, to be given to an enterprise, which would be a percentage of – but not greater than – the capital invested. The purpose of this is to create an incentive for enterprises to seek out investors and strengthen the capital base of the local enterprise.

(iv) A tax holiday, to be given for the formative (say three or four) years, to any new business established in the province.

(v) The provincial government could guarantee a portion of the investment in businesses in which the risks are high.

(vi) Investments of equity capital in Newfoundland companies could be tax deductible.

(vii) The provincial government could buy down chartered bank loan rates on loans to new Newfoundland enterprises.

(viii) A guaranteed minimum rate of return on arm's length investment could be offered.

(ix) A Registered Local Business Savings Plan could be instituted.

Recommendations

The provincial government should institute financial incentive schemes to encourage Newfoundlanders to invest in local enterprises along the lines discussed in this Report.

The provincial and federal governments should negotiate and sign a long-term cost-shared subsidiary agreement under the Economic Research and Development Agreement on Small Enterprise Development. The major components of this should provide stimulation for all kinds of enterprises and should allow sufficiently long-term capitalization assistance to ensure that such enterprises are financially stable in their formative years.

To complement these incentives for investors, Newfoundland entrepreneurs need to enjoy ready access to the funds made available. The enterprise centres should take on the responsibility of bringing entrepreneurs and pools of investment capital together. In addition to information on government programmes, the centres should also keep up-to-date information on private venture capital funds and other sources of private investment.

In order to promote very small businesses, the provincial government should build on the example of the federal government's student and youth business loans programme, which has purportedly been operating at an 85 per cent pay-back rate.

Recommendation

To assist very small businesses, the provincial government should guarantee loans of up to $5,000 through chartered banks and credit unions.

All the suggestions made thus far depend for their success upon the Newfoundland public, and government officials, becoming more knowledgeable about our economy and the important role that entrepreneurship plays within it. In Chapter 8, we made a number of recommendations for improving our education system so that people could be taught more about business, labour and how our economic system works. We remind our readers of those recommendations and we stress, in this chapter, both the important role that Memorial University should play in this process and the importance of educating government officials themselves about business life and how to deal with potential entrepreneurs.

> ***Recommendations***
> *The Faculty of Business at Memorial University should place more emphasis on courses which deal with the particular advantages and difficulties associated with owning and operating small businesses in Newfoundland, including family firms and co-operatives.*
>
> *Government officials, particularly in the departments of Rural, Agricultural and Northern Development, and Development and Tourism, should be given courses in business administration, and should learn to judge the adequacy of their programmes on the basis of their results rather than adherence to regulatory guidelines as such.*

It will take time, however, before changes in our educational institutions translate into changed attitudes and knowledge among the general population and government officials. To hasten the pace of change, we need an immediate provincial campaign to promote the merits of small enterprise for self-reliance and employment creation, and we need to give government officials and business instructors a chance to gain firsthand experience in the business world.

> ***Recommendations***
> *A promotional campaign should be undertaken to bring to the attention of the general public the value of small enterprise to the Newfoundland economy, with particular emphasis on its job creation potential.*
>
> *Exchange programmes and leaves of absence should be created to give government officials and business instructors in our post-secondary institutions the opportunity to gain firsthand experience of small enterprises.*

The Commission would like to emphasize that, although most of our recommendations are directed to government, there is also a tremendous challenge here to the Newfoundland business community itself. Newfoundland firms do not seem to be as capable as are firms elsewhere of co-ordinating their dealings with government and the public, of entering into joint ventures among themselves in order to compete with outside firms or of helping new, small enterprises get off the ground. In promoting the cause of small business, this Commission is **pro-employment and pro-enterprise**: we see the small enterprise sector as an important means to job creation.

It is also important that the alternative forms of small enterprise discussed earlier in this chapter be promoted. All of the recommendations we have made so far should apply equally to co-operatives, community development corporations and any other new innovative form of enterprise that may evolve. Our education system, for example, should inform students about co-operatives as well as private businesses and labour unions, and enterprise centres and government financial programmes should be as supportive of co-operatives as they are of privately owned businesses. In addition, given the current underdeveloped state of co-operatives in Newfoundland and the benign neglect with which they have been treated in the past, we make the following recommendations:

Recommendations

The provincial government should transact some of its financial services through the province's credit union system, thereby providing this locally owned and controlled financial resource with a more secure basis on which to pursue commercial and other forms of lending directed towards economic development.

The provincial government should negotiate with the Credit Union Council of Newfoundland and Labrador a means of offering some government financial support to small business (such as loan guarantee programmes and equity support) through the credit union system, in order to provide it with more experience in commercial lending.

The federal government, the provincial government and the Federation of Newfoundland and Labrador Co-operatives should establish a Co-operative Business Advisory Service to provide business management and feasibility study services to both established and would-be co-operatives. New co-operatives should complete feasibility studies and business plans through this service before becoming registered, with the costs for this service to be repaid upon the successful establishment and operation of the co-operatives concerned.

Developmental support to co-operatives and credit unions through the Department of Rural, Agricultural and Northern Development should be increased.

The provincial government, in association with the Federation of Newfoundland and Labrador Co-operatives, should establish a Co-operative Development Revolving Fund, to be administered through the provincial credit union system, whereby individuals can seek initial credit to secure their equity position in a new producers' or workers' co-operative.

An experimental programme should be undertaken in Newfoundland whereby unemployment insurance beneficiaries can opt to receive up to one-half of their benefits at the start of their benefit period, for investment in a new private or co-operative enterprise, with the remainder of their benefit to be paid to these individuals during the period when the new enterprise is being established.

Co-operatives should be identified in the promotional literature for all existing and new business development programmes for which they are eligible.

Memorial University should institute an advanced-level training programme for co-operative managers, executives, Federation of Co-operatives employees and government officials responsible for co-operatives.

Conclusion

If Newfoundland's unemployment rate is to be reduced markedly, we cannot rely upon either large resource industries or the public sector to provide all the new jobs that we so desperately need. Instead, the problem has to be tackled at the grass roots level, by stimulating economic enterprise and self-reliance in communities throughout the province. Small enterprises, whether conventional individual and family businesses or co-operatives and community businesses, must play a major role as agents of provincial, regional and community development. In Newfoundland, we suffer from an attitudinal problem that impedes such progress. Newfoundlanders are too suspicious of businesspersons and too sceptical about alternatives such as co-operatives. These attitudes have to change. Education, and a promotional campaign in support of small enterprise, should help here. As well, the provincial government should make sure that our business 'success stories', of which there are many, are drawn to the attention of the people of the province so that we may come to have pride in our own achievements in the realm of self-reliant enterprise.

There are many government programmes geared to the service of small business. Nevertheless, would-be entrepreneurs and investors find it difficult to obtain accurate information about all these programmes, and feel that government officials are not sufficiently intent upon promoting business development in a proactive way. We recommend that a system of enterprise centres be established to give hands-on support to entrepreneurial initiatives, that Newfoundlanders be given incentives to invest in provincial enterprises, that alternative forms of enterprise such as co-operatives be encouraged and that government officials be given greater opportunity to learn about the everyday experience of the business world. A concerted effort by all parties is needed to create new employment through small enterprise.

Notes

1. For more information on this section, see Atlantic Consulting Economists Ltd., "Small Business and Job Creation", Background Report to the Royal Commission on Employment and Unemployment, 1986.

2. For more information on small enterprise agencies, see Chris Palmer, "Sustainable Communities and Self-Reliant People", Background Report to the Royal Commission on Employment and Unemployment, 1986.

3. More details on the use of unemployment funds for developmental purposes are provided in Palmer, "Sustainable Communities" and in Annette M. Clarke, "Work and Unemployment in St. John's", Background Reports to the Royal Communities Commission on Employment and Unemployment, 1986.

4. For details, see Atlantic Consulting Economists Ltd., "Small Business".

CHAPTER 12

A New Income Security System

One of the terms of reference for the Royal Commission was to

> "... assess the adequacy of the income support system in mitigating the adverse social and economic effects of unemployment." (Section II.6.)

This task can be interpreted in two ways. Referring to the income security system for individuals and households, 'adequacy' means: Does the system allow them to live at a standard of living appropriate to late twentieth century Canadian society? Referring to society as a whole, adequacy means: Does the system allocate funds to needy households efficiently and in a way that does not inhibit people's willingness to work? In the judgement of the Commission, the present system is **inadequate** on both counts. As we saw in Chapter 6, it does not provide all those in need with adequate incomes (defined operationally as the low-income cut-off level as set by Statistics Canada). In Newfoundland in 1984, 23 per cent of families and 45.1 per cent of unattached individuals had inadequate incomes. The figures for Canada as a whole were 15 per cent and 38.4 per cent, respectively. The family poverty rate in Newfoundland has been increasing steadily from a low of 15.8 per cent in 1977; this increase can be attributed largely to increased unemployment. As the unemployment rate has risen, so has the poverty rate.

The system is also inadequate in two ways from the point of view of society as a whole. First, the delivery system is cumbersome, complicated and inefficient and it entails undue emotional stress for those unfortunate enough to have to rely upon state officials for providing their income security. Secondly, the system entails a number of disincentives to work and disincentives to improve one's education level. This is mainly because the Unemployment Insurance (UI) system has come to carry much of the burden for income security.

The income security system as a whole, in Canada and in Newfoundland as a province of Canada, was never designed rationally to serve a set of well-defined goals. Rather, it grew gradually throughout this century, and at an accelerated rate after World War II, as a mechanism for insuring people against what was assumed to be temporary unemployment in an urban-industrial economy. Newfoundland became incorporated into the general growth of the Canadian welfare state after 1949. Various programmes were introduced and expanded in an *ad hoc*, piecemeal fashion. A contributory UI scheme, for example, was introduced in 1940; it was supplemented in 1956 by an *Unemployment Assistance Act* to help unemployed individuals not covered by UI, and amended in 1957 to extend coverage to self-employed fishermen. Confederation, along with the rapid expansion of the UI and other income support programmes, such as family allowance and old age pensions, meant that Newfoundland leapt immediately from a rudimentary to a full-fledged welfare state. For cash-starved people, this was a godsend and Newfoundlanders quickly embraced the new forms of income security, especially UI. By 1985, UI benefit payments in Newfoundland exceeded half a billion dollars, making it one of the province's largest 'industries'. As we saw in Chapter 6, UI benefits form the backbone of income support and supplementation for members of the labour force in Newfoundland to a much greater extent than they do elsewhere in Canada. Social assistance or 'going on welfare' is a last resort for most recipients and some very poor people stubbornly resist it.

Weaknesses in the System

Canadian social security programmes, and their Newfoundland operations, evolved in response to various needs over the years and hence do not really constitute an integrated 'system' at all. In particular, the UI scheme has been burdened with providing basic income support and supplementation, tasks for which it was not originally designed. The weaknesses in the system can be better understood if we distinguish between the three distinct functions of an integrated income security programme.

In a post-industrial society, an income security system should be designed to:

(1) provide basic **income support** to individuals and households who, for various reasons (illness, old age, single parenthood, long-term disability, long-term unemployment), have no form of earned income;

(2) provide **income supplementation** to individuals and households who receive earned income, but whose earned income is so low that it precludes their enjoying a decent standard of living;

(3) provide **income maintenance** to individuals who are temporarily unemployed, providing a financial bridge as people move between jobs in a changing labour market, and during absences from work due to sickness, accident or maternity leave.

In Canada, there are many income security programmes both federal and provincial, but neither the function of each programme, nor the relationship among the various programmes, is clear-cut. The Newfoundland government's Social Assistance programme, for example, is geared mainly to income support for the very needy, but it is also used for income supplementation for families with low-income wage-earners. Federal Family Allowance and Child Tax Credit programmes also perform both support and supplementation functions, although to the extent that the former helps families that do not need it, it serves **none** of the three functions listed above.

UI was originally intended as an income maintenance programme. This is still its main function, especially in larger urban centres with well-developed labour markets. In Newfoundland and other peripheral regions of Canada, however, where seasonal jobs are common and local labour markets are weak, UI has come to perform an income supplementation role. For thousands of Newfoundland households, it provides their main, if not their only, source of income supplementation. People depend upon acquiring enough work – from fishing, working in the fish plant, construction work, menial service jobs, short-term make-work projects, logging or whatever – to qualify for UI benefits. UI does not maintain income between jobs; it supplements low seasonal incomes.

The UI system has become so firmly institutionalized that it has also come to play a disguised income security role in conjunction with the various job creation programmes. Make-work projects do have some positive benefits: improving community amenities, giving people work experience, even in a few cases contributing to longer-term economic development. But their main purpose – and this is now explicitly recognized by the Canada Employment and Immigration Commission (CEIC) and Social Services officials, as well as by politicians and by the people themselves – is to qualify people for UI.

This UI make-work system dominates income security provisions in Newfoundland. Its great benefit, which must not be underrated, is that it ensures a basic level of cash income and an adequate material standard of living for many Newfoundland households. Only the small minority who fail to qualify for UI suffer the indignity of having to apply for social assistance. To remove UI, without replacing it by an alternative income security scheme, would be to condemn hundreds of Newfoundland families to abject poverty and the stigma of welfare, as we saw in Chapter 4. It is entirely rational that outport households work for their 'stamps', that is, focus upon qualifying for UI.

Nevertheless, the UI make-work system (we use this term, while recognizing that most people qualify for UI through means other than make-work projects, because it captures the essential spirit of the system) has serious weaknesses and shortcomings. It has become so firmly entrenched that it must be altered radically before the other changes that we advocate for employment enhancement can become effective. Hence, we view the alteration of the income security system as **fundamental** to an integrated strategy for employment creation.

The undermining of serious efforts towards economic development and long-term employment enhancement is the most serious general weakness of the UI make-work system. This general weakness has a number of specific components which we will discuss in turn.

(i) The system undermines the intrinsic value of work.

'Fishing for stamps' or 'working for stamps' detracts from the intrinsic value of work itself. Work is no longer a craft where the artisan takes pride in the skill of the operation and the quality of the good or service produced. It is merely a means to an end.

(ii) The system undermines good working habits and discipline.

When one knows that one's work is meaningless – epitomized by local stereotypes of yet another community wharf or yet another fence around the cemetery – there seems little point in working hard, turning up on time, putting in a full day's work or worrying about the quality of what is produced. While these comments apply specifically to make-work projects, there is a tendency for the attitudes inculcated here to spread to more regular service and resource-related jobs. In any case, many Newfoundlanders are irritated and offended by the lack of practical common sense that many make-work projects display.

(iii) The system undermines the importance of education.

Little or no qualifications are required to become an inshore fisherman, a fishplant worker or a construction worker, or to be employed on a short-term make-work project. It is as easy to get the 10 weeks' work to qualify for UI with a Grade 8 education as it is with a university degree – at least, that is the local perception. Hence, there is little incentive to get a better education for the work world. In addition, the UI system actually penalizes people for aspiring to further their education by cutting off their benefits if they become full-time students.

(iv) UI is a disincentive to work.

Once one qualifies for UI in outport Newfoundland, one's basic security is assured. It would be folly to threaten this security by actions that would disqualify one from receiving benefits. But UI regulations require the reporting of all earned income, and benefits can be discontinued if earned income exceeds 25 per cent of benefits. Furthermore, one must remain available for work, even in situations where few labour-market opportunities exist. It is safer to do nothing than to work.

(v) UI undermines personal and community initiatives.

Related to the last point, but worthy of comment in its own right, is the extent to which the 'ten-week syndrome' undermines the traditional economic adaptations of many Newfoundlanders. To practice occupational pluralism – for example, by doing some logging for the local sawmill in the fall, following 10 weeks on a make-work project – is to jeopardize one's UI status. Another example: for a fisherman to go handline fishing in the fall following a successful summer trap season seems hardly worth the effort, especially if it could reduce the monthly UI benefits, which are based on either the last 10 weeks that one has fished or, for fishermen who have fished at least 15 weeks, the average of the best 10 weeks out of the 15. UI can also detract from production for the household's own use, since work becomes less valued as a worthwhile activity, and it can also detract from voluntary community work.

(vi) UI discourages self employment and small-scale enterprise.

The UI system has various deleterious effects upon local enterprise. Seasonal fish-plant operators have had to adapt to the 'ten-week syndrome' by hiring many more plant workers during the season than would otherwise be needed. Workers expect to get laid off to give someone else a chance once they get their 10 stamps. This is a rational adaptation from the point of view of the community: it shares out the available work, qualifies the maximum number of people for income stabilization payments (UI benefits) during the off-season and thereby maximizes both household and community incomes. For the fish-plant operator, however, it means higher operating costs due to labour turnover, lower productivity and difficulties in finding workers during the fall and winter; plant operators also find that it is difficult to get fishermen to continue supplying fish plants in the fall, once they have qualified for UI.

Other small businesses, such as hotels, restaurants and various other service industries, also experience inefficiencies and periodic labour shortages due to the UI system. Waitresses, for example, are reluctant to work for one or two days a week during busy periods, because it could disqualify them for UI for the whole week. In the off-season, many fish-plant workers and other seasonal workers refuse low-paying jobs which would pay them less than their UI payments.

The UI system also biases the local economy towards working for other people as employees, rather than starting a small business or co-operative enterprise for oneself. People running small-businesses (for example in the tourist industry) who may be making little money themselves, are ineligible for UI; hence, they have less income security during the off-season than their own employees.

UI biases the local economic climate against self employment. It also implicitly discourages people from taking the initiative to form producers' co-operatives or other forms of community enterprises.

(vii) The UI make-work system encourages political patronage.

One of the things that a district provincial member of the House of Assembly (MHA) or federal member of the Parliament (MP) strives to do in order to stay in office is to provide various goods and services to district constituents: either community services, such as a new road or sewer system, or individual services, such as a job or a transfer payment. But the growth of the UI make-work system has created opportunities for political interference. Projects tend to be assessed and awarded partly on the basis of political, rather than economic, criteria. This causes frustration and disillusionment at the local level when people see sound, well-conceived projects being turned down in favour of weaker projects. MHAs and MPs are in a good position to bring wider perspectives and comparative experiences from elsewhere to bear upon local problems, and to make real contributions to long-term development and employment enhancement, but this potential is being undermined by the present UI make-work system.

(viii) UI make-work distorts the efforts of local development groups.

If the MHA or MP is the patron of make-work programmes, the Regional Development Association, or sometimes the municipal council, has become the broker for the programmes at the local level. Regional Development Associations were originally set up in the late sixties and early seventies to promote long-term social and economic development. But the coincidence of their growth with that of make-work programmes has diverted their efforts away from economic development and towards becoming local delivery agents for make-work programmes. Thus in the 1982/83 fiscal year, development associations in the province were involved in the creation of 2,397 short-term jobs through several make-work projects, but only 12 full-time, and 78 seasonal, permanent jobs.[1]

Representatives of development associations who addressed the Commission have become aware of this distortion of their mandate, but they find themselves in a double bind. On the one hand, where make-work projects are desperately needed by local residents as the only employment available, the associations come under pressure from their own members to devise and implement such projects. On the other hand, the associations also come under pressure from government officials and politicians to serve as the regional funnel for make-work monies. Again, the role that they should be playing as agents of long-term economic development is distorted by their role in the UI make-work system.

(ix) The system has become a bureaucratic nightmare.

Since the UI programme in Canada was originally intended to serve the purpose of income maintenance, it naturally has certain safeguards built into it designed to ensure that it is not abused. Recipients of benefits must be genuinely unemployed and (except when on sick leave, maternity leave, or recently retired) must be available to take a job when one occurs. Modifications to the programme, however, have implicitly recognized that it now includes an income support and supplementation, as well as an income maintenance, function. UI for self-employed fishermen is the best example, but UI for seasonal construction workers, fish-plant workers, workers in tourism and those on make-work projects is equally important. To try to cope with all the exigencies of different occupations, different regional needs and different classes of beneficiaries over the years, a highly complex system of rules and regulations governing eligibility, weeks worked to become eligible for first-time recipients, premium payments of employers and employees, levels of benefits, regional variations, length of benefit eligibility, termination of benefits, paid remuneration permissable while receiving benefits, job search requirements to sustain eligibility for benefits and a host of other issues, has evolved. And the rules keep changing in response to changing economic conditions, fiscal constraints and shifts in the political mood. The system is expensive to administer and, because it is open to abuse, it forces state officials to play a policing role *vis-à-vis* Canadian citizens.

(x) The system distorts the role of state officials.

One of the dominant trends in the evolution of Canadian society since World War II has been the proliferation of federal and provincial officials in all regions and most communities. Newfoundland is no exception. As the regulatory requirements of the welfare state have expanded, the state has had to appoint officials to administer and enforce these regulations. Many Canadians, including Newfoundlanders, now feel that their lives are over-regulated. Furthermore, the regulatory and enforcement role that officials have to play is often uncomfortable and inhibiting for them as well. They have to enforce rules and, at the local level, they have to interpret how the rules apply to various individual cases. Their decisions often appear arbitrary and uncaring to the people they affect, whom they come to regard as their 'clients'. Social Assistance officers, and unemployment benefits officers in particular, are cast into this role as the front-line arbitrators for the state. This regulatory and policing function of state officials is not only uncomfortable, and at times degrading, for people who have to deal with them, but it also detracts from the officials' potential for making more personal and more developmental contributions to the people and communities they serve.

(xi) The system is vulnerable to manipulation.

The UI system is similar to the tax system in that its myriad rules and regulations confront its users with strategic choices as to how to maximize personal financial benefit. Just as the businessperson or professional has become adept at playing the tax system, so the seasonal worker has become adept at playing the UI system. The morality is the same in both cases. The Commission was told about many tactics designed to manipulate the UI system, many of them displaying a degree of ingenuity that would be the envy of the best tax lawyer. Many Newfoundlanders express concern about UI manipulation, such as:

- job rotation, where all of the work-force in an area is rotated through the available jobs so its members qualify for benefits;
- employers submitting records for higher salaries than they are paying the employees so that there will be no reduction in income when the employees are laid off;

- employers having employees on the payroll for 10-or 20-week periods but not actually paying them, just making the necessary remittances to the Receiver-General and preparing a record of employment;
- employees working while they are receiving benefits but not recording this work;
- individuals setting up incorporated companies for the sole purpose of having an employer who can deduct UI premiums to enable them to qualify for benefits. If an individual owns less than 40 per cent of a company, then he/she can legitimately be on the payroll;
- Social Services providing short-term employment for recipients of their benefits so that the burden of caring for these people is shifted from the provincial to the federal government.

Some of these strategies are 'abusive', but many point to real needs in Newfoundland, which provide us with vital clues as to what is essential in a successful income security system.

It is clear from everything we have said here that a fundamental revision of the income security system in Newfoundland must be undertaken. Moreover, the system as a whole has to be changed, not just one part such as the UI programme or the Social Assistance programme. Basic changes are needed as a prerequisite to new initiatives for long-term economic development and employment.

A New Income Security System

The present income security system in Newfoundland – consisting of UI, make-work, universal transfer payments and Social Assistance – is inadequate, both from the point of view of needy individuals and households and from that of the efficiency of the economic system. It has to be changed, but a difficulty for us as a provincial Royal Commission is that most *de facto* responsibility for, and discretion in, the operation of Newfoundlanders' income security system rests with the federal government, which now carries nearly 90 per cent of the cost. A background report prepared for this Commission gives some idea of the magnitude of the cost of improving the system.[2] The background report discusses three options that the provincial government could consider:

A Provincial Guaranteed Annual Income (GAI).

Assuming it were established at the modest levels suggested in the Macdonald Royal Commission, this would guarantee each adult $2,750, and each child $750, annually. Consequently, a family of two adults and two children would be guaranteed $7,000 annually. If this family had no other income, Social Assistance payments would have to be continued at present levels to bring the family up to the low income cut-off level. For households with earnings, the GAI would include a fairly strong work incentive, since the maximum benefit would be reduced by only 20 cents for each dollar earned. This GAI scheme, plus Social Assistance, would all but eliminate income poverty in Newfoundland. It would cost approximately $277 million a year.

A Provincial Work Income Supplement Programme (WISP).

This alternative programme would be geared only to supplementing low earned incomes, and would not help households or unattached individuals without earnings. Unlike the GAI, WISP benefits would increase by 25 cents for each dollar earned, up to a given income level (called the 'turning point'), and beyond that would be reduced at the rate of 33 cents for each dollar earned. Assuming a turning point at the amount of income an eligible family could receive from Social Assistance, this scheme would cost approximately $69 million a year. The main feature of the system would be its strong incentive to work, but it would be of no help to those unable to work, or to the unemployed where no jobs are available.

A Provincial Child Tax Credit Supplement.
The Child Tax Credit is a successful federal programme for redistributing income to needy families with children, but the amount of benefits it provides is low (a maximum of $454 per child in 1986). The provincial government could supplement this by, for example, $100 per child, at an annual cost of approximately $18 million. This would be a real help to poor families with children, but would unfortunately be of no help to unattached individuals with no dependent children, the group that has the highest poverty rate in the province.

In the opinion of the Commission, these options are all unsatisfactory, either because they would be too costly for the Newfoundland treasury or because they would still leave us with an inadequate income security system. A workable solution needs to be negotiated with the federal government which alone has the fiscal strength and flexibility of programming to implement an adequate system. As Canada's poorest province, perhaps Newfoundland could be used as a pilot project for a system which, if successful, could subsequently be implemented for Canada as a whole.

What might such a new income security system look like? We believe that it should clearly distinguish between basic support, income supplementation and income maintenance. In order to avoid both the complex bureaucratization that has arisen and the indignity that poor people experience in having to apply for social assistance and other forms of relief, the new system of basic support and income supplementation should work through the tax system. This would have one disadvantage, in that payments would be based upon income received in the previous years, so a reduced social assistance programme for crises and short-term problems would still be needed; however, the advantages of using the tax system, as is now done for the Child Tax Credit, outweigh this disadvantage.

In effect, we advocate a kind of negative income tax having both support and supplementation features. We will use some hypothetical cases to illustrate the kind of programme we have in mind. The figures should be taken as illustrative only: the costs and details of the actual system would need to be worked out by federal and provincial officials.

The Guaranteed Basic Income System (GBI)

The proposed system would provide basic income support for all individuals and households through a Guaranteed Basic Income (GBI) set at half the minimum income level established by Statistics Canada's low income cut-off lines. This level would be roughly equivalent to what households in Newfoundland now receive on Social Assistance. The GBI would be based on household income. For example, if the minimum level were $14,400 for a family of one adult and two children,

Table 12.1
Guaranteed Basic Income for a Family of One Adult and Two Children

Earned Income	$1,200
Guaranteed Basic Income[1]	6,000
Total Household Income[2]	**$7,200**

[1] Calculated as ½ x $14,400 — $1,200.

[2] Without earned income supplement.

and that family had no earned income during the previous year, it would receive a GBI of $7,200 paid in monthly installments of $600 each over the next 12 months. If the family had received $1,200 in earned income during the previous year, its GBI would be reduced to $6,000 ($7,200-$1,200), but this family would also be eligible for income supplementation (See Table 12.1).

The reason for keeping the GBI low (only half the minimum income level) is to prevent it from becoming a financial disincentive to work. A GBI of over $16,000 for a family of four in rural Newfoundland, for example, would allow its members to choose not to work at all in the labour market: this would both detract from the productive capacity of the economy and be an unfair tax burden on other Canadians. The weakness in setting the GBI at a low level is that it would still provide inadequate incomes - just as Social Assistance does now - for the genuinely destitute who are unable to work. Hence, an improved and redirected social assistance programme would be needed to 'top up' the GBI benefit in such cases.

The Earned Income Supplementation System (EIS)

The second income security requirement would be taken care of through an Earned Income Supplementation (EIS) scheme, either for households or for individual income-earners. This would subsidize earned income through the tax system on a decreasing scale up to an agreed-upon limit, and benefits would be reduced at a certain rate above specified income level. For example, the supplement could be one dollar per one dollar for the first $1,000 earned, 90 cents per one dollar for the second $1,000 earned and so on, down to 10 cents per one dollar for the tenth $1,000 earned (See Table 12.2). To ensure that high-income earners did not benefit from income supplementation, the supplement could be recovered through a special 'recovery tax' of 33 per cent, which applied only to the supplements. As Table 12.2 illustrates, recipients would start 'paying back' their supplements at the rate of 33 cents on every dollar earned. At an income level of $27,000, the total supplement would be recovered. In this way, only those individuals with low and modest incomes would benefit from the EIS scheme.

Referring back to our family of three in the above example, if this family had earned income of $1,200 during the previous year, it would receive an EIS of $1,180

Table 12.2
Income Supplementation Table

Earned Income	Supplement Rate/$1.00	Supplement/$1.00	Total Supplement
$1,000	$1.00	$1,000	1,000
2,000	.90	900	1,900
3,000	.80	800	2,700
4,000	.70	700	3,400
5,000	.60	600	4,000
6,000	.50	500	4,500
7,000	.40	400	4,900
8,000	.30	300	5,200
9,000	.20	200	5,400
10,000	.10	100	5,500
11,000	−.33	−333	5,167
12,000	−.33	−333	4,834
13,000	−.33	−333	4,501
14,000	−.33	−333	4,168
15,000	−.33	−333	3,835
16,000	−.33	−333	3,502
17,000	−.33	−333	3,169
18,000	−.33	−333	2,836
19,000	−.33	−333	2.503
20,000	−.33	−333	2,170
21,000	−.33	−333	1,837
22,000	−.33	−333	1,504
23,000	−.33	−333	1,171
24,000	−.33	−333	838
25,000	−.33	−333	505
26,000	−.33	−333	172
27,000	−.33	−333	0
28,000	0	0	0

(one dollar per one dollar for the first $1,000 and 90 cents per one dollar for the additional $200). Hence, this family's total income would be $8,380, calculated in Table 12.3. Note that this family would be better off by $1,180 than if it were dependent solely upon the GBI. Hence, the system would include a strong incentive to work, even for low-income families (Compare Tables 12.1 and 12.3).

Let us examine one other example: a family of five in which the father is disabled and unable to work, the daughter earns $6,000 in wages from the local fish plant, the mother earns $5,000 in revenues from operating a small store and the two younger children are not working. Assuming the low-income cut-off line for such a family to be $24,000, and assuming that the EIS were based on household income, the family would receive income as shown in Table 12.4.

If the EIS were awarded to each individual based on **individual** income, the family would receive $3,333 more, as shown in Table 12.5. The advantages of tying the EIS to individuals is that it would both provide a stronger incentive to work and increase the income levels of low-income households. The disadvantage is that it would be considerably more expensive. We emphasize that these examples are illustrative only. Government officials could choose to set the benefit levels initially so that the net cost to federal and provincial treasuries would be offset by savings in Social Assistance and UI benefits, although more money would be required to bring many households above the low-income cut-off line, just as is the case within the present system. Our main concern is with the basic **principle** of the need for an income security system which clearly distinguishes between income support, income supplementation and income maintenance.

The Commission would also advocate that some form of **educational incentive** be built into the new income security system. Money spent on education, for example, could be treated in the same way as money earned, and people could receive an Education Supplement on the same scale as the Income Supplement outlined in Table 12.2. This would encourage unemployed individuals to improve their education and training skills, thereby improving both their individual chances for employment and the quality of the human capital of our society.

A system such as the one outlined here would have many advantages over the current system of income security, even if it were set so that its total cost were no greater than at present:

- It would provide all Newfoundlanders with at least minimal income security.
- It would be more automatic, and therefore less of a stigma, for those who depend upon it.
- It would encourage people to work, even for a low wage.
- It would eliminate the need for useless make-work projects, thereby freeing up funds for longer-term economic development.
- It would eliminate the qualifying period for income supplementation and thereby eliminate the 'ten-week syndrome' for seasonal wage-workers and self-employed fishermen.
- It would reward all work for earned income with no loss of income support benefits.
- It would encourage people to further their education.
- It would allow for the reinstatement of good work habits and an appreciation of the intrinsic value of work.
- It would encourage people with low incomes to report all their earned income.

Table 12.3
Guaranteed Basic Income Plus Earned Income Supplement for Family of One Adult and Two Children

Earned Income	$1,200
Guaranteed Basic Income	6,000
Income Supplement	1,180
Total Household Income	**$8,380**

Table 12.4
Example With Earned Income Supplement Based on Household Income

Earned income (daughter)	$6,000
Earned income (mother)	5,000
Earned income supplement[1]	5,167
Guaranteed Basic Income[2]	1,000
Total Household Income	**$17,167**

[1] From Table 12.2 for $11,000.

[2] Calculated as ½ x 24,000 – 11,000.

Table 12.5
Example With Earned Income Supplement Based on Individual Income

Earned income (daughter)	$6,000
Earned income (mother)	5,000
Earned income supplement (daughter)[1]	4,500
Earned income supplement (mother)[2]	4,000
Guaranteed basic income[3]	1,000
Total Household Income	**20,500**

[1] From Table 12.2 for $6,000.

[2] From Table 12.2 for $5,000.

[3] Calculated as ½ x $24,000 – 11,000.

- It would encourage self employment and economic enterprise of whatever kind.
- It would enable Newfoundlanders to pursue flexible forms of economic adaptation, including occupational pluralism and household production.

These are significant advantages which need not be costly. They would provide a new foundation of security for building vibrant communities in Newfoundland.

Recommendation

The Government of Newfoundland and Labrador should enter into negotiations with the Government of Canada for the implementation of a new income security system along the lines suggested in this Report, possibly using Newfoundland as a pilot project for Canada as a whole.

We have not yet mentioned the third function of an income security system, income maintenance. Along with private and public pensions and workers' compensation, this is the proper role for a reconstituted unemployment insurance system which would continue to provide a financial bridge between permanent jobs, and through periods of absence from work due to sickness, accidents and maternity leave. UI would no longer be needed to provide income support and supplementation to low-income workers, and the tie between UI and make-work projects could be severed once and for all. This Commission has made its view on this issue known to the federal Commission of Inquiry into Unemployment Insurance.

In the meantime, while an alternative system is being designed, a number of stopgap measures should be introduced to deal with some of the anomalies and inequities in the current income security system.

Interim Recommendations

The provincial government should supplement the federal Child Tax Credit by $100 per child, or to the maximum level that it can afford.

Social Assistance payments should be increased, and should be made directly available to single, able-bodied people who are genuinely unable to find employment.

The restrictions within Section 25 of the *Unemployment Insurance Act* preventing Unemployment Insurance beneficiaries from participating in training, other than that which is subsidized by the Canada Employment and Immigration Commission, should be removed. Any Unemployment Insurance beneficiary should be permitted and encouraged to participate in any education and training programme.

The yearly period of eligibility for Unemployment Insurance benefits should be extended for fishermen living in regions (such as coastal Labrador) where the fishing season is very short.

Self-employed, seasonal workers such as hunters, trappers and loggers should become eligible for Unemployment Insurance during the off-season.

A system should be devised that will allow all other self-employed persons to become eligible for Unemployment Insurance.

Conclusion

The current income security system in Newfoundland is inadequate. For individuals and households, it is inadequate on two counts: first and foremost, it leaves a large proportion of our citizens living in poverty; it also degrades some poor people by forcing them to apply for Social Assistance. In principle, the Royal Commission advocates that Newfoundland should be dedicated to eventually eliminating poverty. The proposals of this chapter should be an important first step towards this.

From the perspective of the provincial economy, the present system is inadequate because it undermines the work ethic and society's productive capacity. These inadequacies are not inevitable, but rather the result of the *ad hoc* fashion in which Canada's social security system has grown, in particular the heavy burden that UI has come to carry for both income support and supplementation as well for income maintenance. UI causes irrationalities and inefficiencies in its support and supplementation roles.

The overall system should be changed to accord better with the three functions it fulfills. For income support, a Guaranteed Basic Income system for households should be implemented, supplemented by Social Assistance benefits for households without any earnings. For income supplementation, an Earned Income Supplementation scheme for either households or individuals should be created. To avoid having to apply to government officials for assistance, these two schemes should be administered through the income tax system. UI would then revert to its intended function of providing income maintenance for people in transition between permanent jobs or on short-term lay-off, sick leave or maternity leave. The revised income security system should also include incentives for people to further their education and training.

The Commission attaches great importance to reforming the income security system in Newfoundland. Over the past 15 years, a debilitating UI make-work system, which undermines both the work ethic and prospects for long-term economic development and employment creation, has become firmly institutionalized. The 'ten-week syndrome' is not natural and inevitable; it is the unfortunate and artificial consequence of a scheme that has become distorted to serve a purpose for which it was never designed. While it would be socially unacceptable, economically disastrous and politically suicidal simply to cut back drastically on UI payments to Newfoundlanders without providing alternative income support and supplementation, it would be possible to redesign the income security system along the lines suggested in this chapter. The Commission believes that such reform is an essential ingredient in the success of the integrated employment strategy we advocate.

Notes

1. D. Simms, "Rural Development in Newfoundland: 'A Legitimation Crisis'," Background Report to the Royal Commission on Employment and Unemployment, 1986, p. 43.

2. David P. Ross, "Report on the Income Security System in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1985, pp. 133-55.

CHAPTER 13

Government for Development

The Commission received a lot of seemingly contradictory evidence about the role that government (mainly provincial, but also federal) is playing in the economic development of the province. On the one hand, as we saw in Chapter 11, there are many federal and provincial programmes which support industry and business in the province and the Commission itself received a great deal of support from some departments of government. On the other hand, much dissatisfaction was expressed in the public hearings about various aspects of governments' performance. Many Newfoundlanders see their governments as cold, distant, uncaring and inefficient.

To some degree, this penchant for blaming the government is a symptom of psychological dependency upon government itself. Government touches the lives of all its citizens in many ways: as tax collector, regulator, provider of services, lender of last resort. When things go wrong, people look for a scapegoat for their personal troubles. In contemporary Canada, and particularly in Newfoundland where dependency upon government is greater than in other provinces, the government is an easy target for people's frustrations and dissatisfactions. In too many cases, people tend to blame the government for failing to do something that they could well be doing for themselves.

Much of the fault for this attitude in turn rests with government. Politicians and, to a lesser extent, senior officials have helped create this sense of dependency through election promises and other indications of public largesse. During the growth of the welfare state, government created the impression that it could be all things to all people and, now that this growth has reached its limit, government can no longer live up to that image. Both the government and the people it serves must acknowledge the limits of what government can do. This is a necessary precondition for greater personal and community self-reliance.

That stated, it is important that this not become an excuse for inaction where government does have a mandate and a responsibility. We believe that there is more to people's disenchantment than simply 'scapegoatism'. We were told of too many instances of letters not being answered, telephone calls not being returned, people being passed on from one official to another with no one willing to take responsibility for their requests; and there are said to be too many needless delays, too much burdensome red tape and an apparent general lack of concern within government. We cannot dismiss these problems lightly. The Commission is not interested in blaming politicians, officials or departments, but it is convinced that our government should be doing more to promote economic development and enhance employment. The fault does not lie with individuals so much as with organizational and perceptual problems. **We believe that government can be better organized as a deliverer of support services for employment generation initiatives, and that all public servants, not only those in the resource and development departments, should view themselves as development oriented rather than simply as regulators.**

In addition to its responsibility to promote private-sector development, government is also a major employer. One of the easiest ways to create jobs in the short term would be to increase hiring in the public sector. Public-sector jobs tend to be labour intensive; they can be distributed throughout the regions of the province, particularly at the municipal level; there is no inherent limit to the number of jobs that can be created for socially useful work; and, unlike the private sector, there is no compulsion to keep employment costs down to remain competitive.

There is, however, a very real financial constraint to the direct employment capacity of government. For the foreseeable future, the Newfoundland government's finances will depend upon four uncertain factors:

- transfers from the federal government;
- revenues from resource industries, especially offshore oil development;
- the general health of the provincial economy;
- the government's borrowing capacity and debt load.

In the first section of this chapter, we shall review briefly the recent fiscal performance and the financial prospects of the Newfoundland government, which affect its potential for creating new jobs in the public sector. We shall then focus upon government's other employment-related role, as a regulator and promoter of economic development. We shall present the account of government's performance in this role as it is perceived by many of its citizens; comment upon the current organization of government and its officials' perceptions of their roles; and then offer recommendations about how we think government's performance in stimulating economic development can be improved.

Public-Sector Finances and Employment

As documented earlier in this Report, Newfoundland enjoyed its last year of strong economic growth in 1979, with negative rates in 1981, 1982 and 1983 and low rates in 1984 and 1985. During the same period, demands on the public purse increased while the province's tax base remained constant. Newfoundland's tax rate on personal income, corporate income, retail sales and gasoline are the highest of any Canadian province, and its fiscal capacity is only 60 per cent of the national average. In its attempt to provide its people with services approaching average Canadian standards, the Newfoundland government is highly dependent upon federal transfers. According to recent estimates, shown in Figure 13.1, 48 per cent of the province's 1986-1987 current revenue will come from federal sources – $697.7 million (30.7 per cent) from equalization payments, $228.0 million (10 per cent) from Established Programme Financing (EPF) and $165.9 million (7.3 per cent) from other federal sources. In addition to this, $49.3 million (2.2 per cent) will need to be borrowed. Hence, the province will generate only half its required current revenue from provincial sources. Most of this (62.9 per cent of provincial revenues or 31.3 per cent of total revenues) will come from personal income and retail sales tax, which means that it will be a direct burden on Newfoundlanders. Although Newfoundland is a resource-rich province, the Newfoundland government in 1986-1987 will receive only $27 million in resource rents (carried under 'Other Provincial Sources' in Figure 13.1) and only $57 million in corporate income tax.

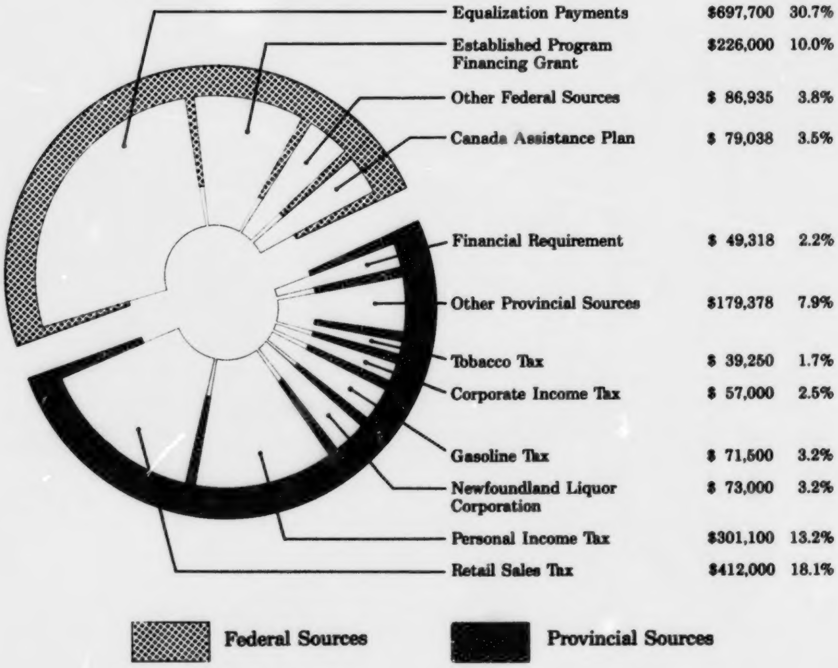
On the expenditure side, education will account for $515.4 million (22.7 per cent), health for $503.5 million (22.1 per cent) and social services for $259.9 million (11.4 per cent), based on estimates for the 1986-1987 fiscal year (See Figure 13.2). In the view of this Commission, the provincial government should give high priority to improving its efficiency in delivering these programmes in order to free up monies for more developmental purposes which could contribute to employment enhancement, and it should refrain from expanding hospitals and other provincial institutions for political reasons. It is extremely important that the government be prudent with the 60 per cent of provincial expenditures that go to health, education and social programmes; it should take the long-term view into account in committing new funds to these areas. If a five per cent improvement in efficiency could be achieved, without loss or cut-back of service, this would free up roughly $64 million for additional employment-creating services in these areas or for other developmental purposes. This should be set as a governmental goal.

Another $435.7 million, 19.2 per cent of provincial government expenditures, will go to debt repayments, leaving $559.7 million to cover all other expenditure areas. During the recession of the 1980s, the Newfoundland Treasury Board and Department of Finance have been striving to provide sound financial management under very difficult circumstances. As Table 13.1 shows, they have managed to keep the rate of public-sector growth down in comparison to other provinces, but because Newfoundland started the decade with a higher base level of debt, its per capita public-sector debt is still higher than every other province except Manitoba and Quebec (See Figure 13.3).

Figure 13.1

Sources of Revenue for the Government of Newfoundland and Labrador

1986 Estimates



Source: *Newfoundland and Labrador Estimates 1986-87* (St. John's: Treasury Board, Government of Newfoundland and Labrador, 1986).

Table 13.1
Five-Year Changes in Patterns of Provincial Government Expenditures in Selected Provinces

(Per cent)

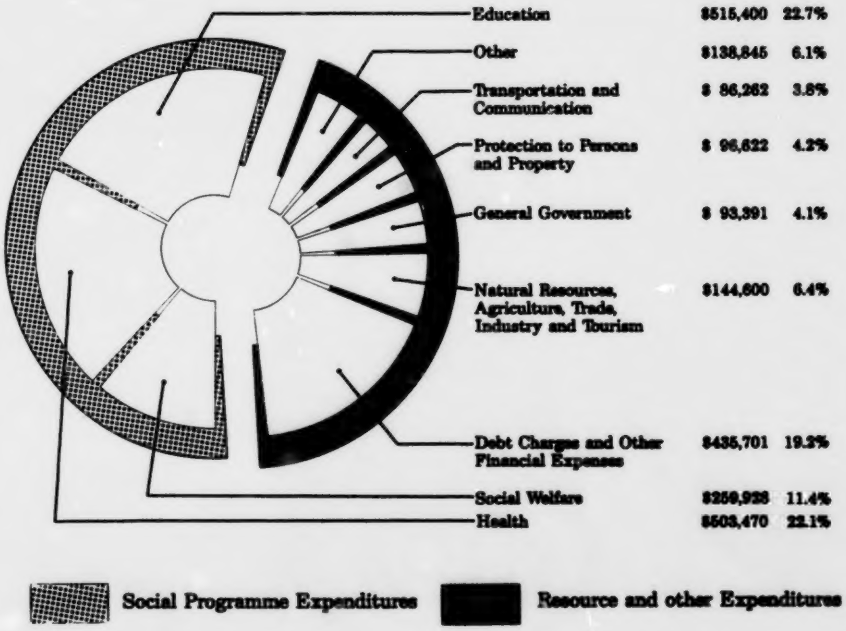
	1957-62	1962-67	1967-72	1972-77	1977-82
Newfoundland	+97	+159	+100	+96	+59
New Brunswick	+74	+78	+135	+117	+75
Quebec	+116	+123	+120	+125	+93
Ontario	+108	+92	+156	+107	+64
Alberta	+82	+100	+106	+168	+136
Canada	+89	+105	+126	+125	+87

Source: Statistics Canada 68-207.

Figure 13.2

Expenditures of the Government of Newfoundland and Labrador

1986 Estimates



Source: *Newfoundland and Labrador Estimates 1986-87* (St. John's: Treasury Board, Government of Newfoundland and Labrador, 1986).

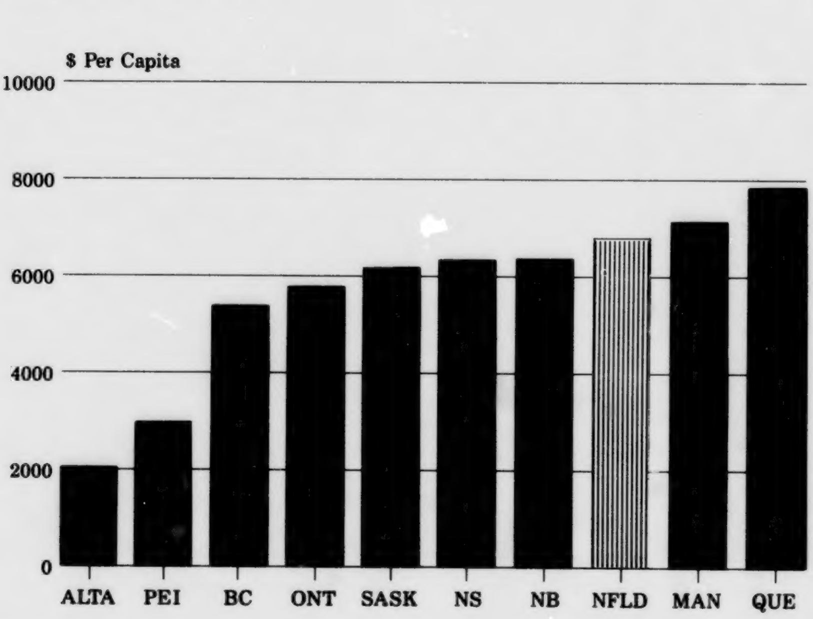
In examining the growth and performance of the public sector in Newfoundland, the Commission has been given access to some of the initial findings of a study on the provincial bureaucracy which is currently under way at the Institute of Social and Economic Research at Memorial University, and is being conducted by Dr. Susan McCorquodale and Mr. David Kennedy of the Political Science Department. Their data show that the rate of increase in provincial government expenditures has slowed down during the past decade and direct provincial government employment, as a percentage of the employed labour force, has declined from a peak of 6.6 per cent in 1969 to 5.4 per cent in 1983. Newfoundland also appears to have been practising financial constraint when compared to other provinces; its share of the total government expenditures of all provinces declined from 3.0 per cent in 1979 to 2.3 per cent in 1982. As Table 13.1 shows, since 1967 the rate of growth of provincial government expenditures in Newfoundland has been less than for other Canadian provinces.

The Memorial researchers' data also tell us something about the changing priorities of provincial government spending. Despite government's concern for resource development, the percentage of spending on the resource sector has declined from a peak of 30 per cent in 1973 to 9 per cent in 1983 (due in part to greater reliance on federal transfers geared specifically to social programmes); the share on capital account has declined from 35 per cent in 1973 to 13 per cent

Figure 13.3

Per Capita Public Debt

Provincial Comparison, 1985



Source: Government of Newfoundland and Labrador Department of Finance.

in 1983; and the proportion going in salaries has increased from 10 per cent to 14.4 per cent. These figures indicate that the provincial government is having to spend more and more of its scarce financial resources on the day-to-day operations of government and the provision of essential established social programmes, with less left over for capital and resource-sector investments which could pay off in economic growth in the long term. The government is clearly in a financial squeeze, and these data suggest that it is attempting to deal with this in a responsible manner.

What are the prospects for improvement? As we have seen, the established resource industries are just emerging from the recession and still face an uncertain future. In time, they might produce somewhat greater revenues for the provincial treasury but, at present, it would probably be unwise to try to squeeze more revenue out of the established resource companies. At the time of writing, the world price of oil has just fallen dramatically; it is expected to rise again by the time Hibernia begins production. **Offshore oil remains a promising but uncertain source of government revenues and we should not rely on it in the foreseeable future to be the saviour of the government's fiscal problems.** The high level of per capita indebtedness, and the fact that a fifth of current expenditures already goes to debt repayment, limit the province's ability to increase revenues by further borrowing.

It is a matter of judgement as to what levels of government spending and indebtedness are appropriate. On the one hand, no financially responsible government should risk bankruptcy. On the other hand, severe fiscal restraint itself is currently a dampening influence upon an already depressed provincial economy. It is worth noting that both Manitoba and Quebec have chosen to risk carrying per capita public-sector debt rates higher than Newfoundland's even though, at 8.1 and 11.8 per cent respectively, their official unemployment rates were considerably below Newfoundland's 21.3 per cent rate in 1985. Given the high rate of unemployment and general stagnation of the Newfoundland economy at present, a case could be made for a slightly more ambitious programme of public-sector borrowing during the rest of this decade. Such borrowing should be only for programmes such as aquaculture, which promise to generate increased economic activity and thereby improve the province's tax base in the long run.

> ***Recommendation***
>
> *The provincial government should increase its borrowing level slightly to support carefully selected programmes that are specifically targeted to stimulating economic activity, provided that the province can expect economic recovery within a reasonable length of time.*

In the long term, the financial health of the provincial government will depend upon general improvements in the Newfoundland economy. We believe that the initiatives recommended in this Report, including those on government and development discussed later in this chapter, will contribute to this. Realistically, however, it will be a long time before the Newfoundland government will be able to provide its citizens with services equivalent to the Canadian average without substantial help from Ottawa. **The acute fiscal troubles of Newfoundland should be viewed as a Canadian problem.**

Until such time as Newfoundland can realize more revenues from its resource industries, and achieve the more balanced economy envisioned in this Report, Newfoundlanders will have to continue to rely upon the fairmindedness of their fellow Canadians, as expressed through the federal state, to provide them with public goods and services equivalent to the Canadian norm. Unlike the early post-Confederation days of the 1950s, however, the federal government now faces fiscal hardships of its own, and is attempting to reduce its expenditures in many areas. The Nielsen Task Force report, which is reviewed in terms of its implications for Newfoundland in an occasional paper for this Commission, calls for the provinces to take on greater responsibility for funding major expenditure areas such as health and education.[1] If this were implemented in a wholesale fashion, the financial difficulties of Newfoundland and other 'have-not' provinces would be severe. Popular misperceptions notwithstanding, payments to the Newfoundland treasury (See Figure 13.1) from the federal government constitute only one per cent of annual federal expenditures.

In fact, federal government expenditure data since 1980 show that Newfoundland does not receive an undue proportion of federal government expenditures compared to other provinces. In terms of total federal per capita expenditures, for example, three provinces – Nova Scotia, Prince Edward Island and New Brunswick – have consistently been receiving more than Newfoundland. We have received fewer equalization funds per capita than Prince Edward Island, and less Established Programmes Financing per capita than Saskatchewan. We lead the other provinces in terms of spending under the Unemployment Insurance (UI) programme, but we are usually well down the list for per capita expenditures in such areas as mines, forestry, tourism, industrial development or agriculture – the very areas that might be used to lessen our dependency on transfers. In the area of regional development (Department of Regional Economic Expansion [DREE]/Department of Regional Industrial Expansion [DRIE]) we have ranked behind the Maritime Provinces and Saskatchewan over the years. What this reflects, then, is that federal expenditures in Newfoundland are oriented more towards 'social support' programmes than towards 'development' ones. Moreover, in terms of direct federal spending on goods and services, Newfoundland does not fare as well as provinces like Ontario, Quebec or Nova Scotia, where administrative centres of the federal government are located. This means that the bulk of federal expenditures in Newfoundland comes in the form of transfers to government or individuals.

Just as important as direct federal expenditures are the regional effects of federal programmes and policies such as tax expenditures, industrial assistance and general subsidies, which are all implicit costs to the national treasury. Newfoundland has also received less of these benefits than some other provinces. Even the nation's tariff policy on imported goods tends to benefit central Canadian provinces more than it does Newfoundland. The point is that Newfoundland is not, and has not been, the drain on the national treasury that it is often perceived to be. The Newfoundland government should stress this in its dealings with Ottawa and in its public relations across Canada.

Recommendation

The Newfoundland government should impress upon the federal government its need for special consideration under federal restraint programmes, so that it can continue to provide Newfoundland Canadians with adequate education, health and other services.

The enjoyment of adequate services is important in itself. The public agencies that provide those services are also important generators of employment. The Newfoundland government has been practising financial restraint partly by limiting the growth of its own public service and partly by restricting budgetary increases to education, health and other social-service institutions in the province. As Table 13.1 shows, the expenditures of the Newfoundland government have been growing at a lower rate than those of other Canadian provinces. Newfoundland has a good record of fiscal responsibility in this respect, and it should emphasize this in negotiations with Ottawa.

Not only have numbers of employees been kept down, but salary and wage increases have been suppressed to the point where serious labour unrest has become almost inevitable. Newfoundland employees who have been hired either directly or indirectly by government - cleaners, secretaries, senior civil servants, teachers, professors, engineers, doctors - have seen the gap in living standards between them and their mainland counterparts widen in recent years. Many professionals have left the province, a circumstance which itself weakens both our social fabric and our prospects for rapid economic improvement. If the public need for more medical specialists, physiotherapists, career counsellors and a host of other occupations could be met, this would have beneficial multiplier effects throughout the provincial economy. Through greater consumption of goods and services, local businesses would be stimulated and new jobs would be created in the private sector.

The financial troubles of the Newfoundland government have also had a negative impact upon the morale of public servants and employees in other publicly funded institutions. It is not just that wages and salaries are lower than people had hoped, but also that employee initiative and satisfaction tend to be undermined if new ideas and programmes are thwarted because of fiscal restraint. The Commission believes that this is partly an organizational and attitudinal problem. In the past, growth itself opened up new opportunities for innovative activity and initiative within public organizations. In the future, assuming slower growth, new means have to be found to provide flexibility, career challenges and new opportunities for employees in our public institutions. Such changes would also help government serve its constituents better.

Public Perceptions of Government

In our public hearings, but more particularly in innumerable off-the-record informal comments, the Commission was told of many cases where people, especially in rural communities, felt that government officials and politicians were at least partly to blame for the province's unemployment problem. The Commission recognizes that there may be some bias in our information on this matter - dissatisfied people were more likely to talk to us than those who are satisfied - and we also recognize that people often have unrealistic expectations of what government can do. Nevertheless, we heard from too many obviously sincere and genuine people, and there was too much commonality in what people reported to us, for us to dismiss their grievances out of hand. We believe that there is more that government could be doing, and should be doing, to promote economic development, employment and, indirectly, government's own tax base. In this section, we shall review people's grievances about their government; in the next section we shall discuss briefly the current structure of the provincial government itself, and in the following section offer some suggestions as to how government should change so as to perform its developmental function better.

Remoteness and Insensitivity.

At the most general level, people feel that too many government officials, both federal and provincial, have little real concern about the people and communities that are affected by the decisions they make. Securely entrenched in their offices in Ottawa, St. John's, Corner Brook or Happy Valley-Goose Bay, officials are too remote from the everyday needs of the people they serve. Without much thought for the consequences of their actions, they can make decisions which can have disruptive consequences for small enterprises and the people dependent upon them. Here is one example:

> A decision was made last year that the loggers that had been working for me, some of them for over 12 years, were not in fact employees of my company and their earnings were not insurable. I questioned how the decision was made, what the ruling was based on, how many people had a part in making the decision and how long it took to make it. The answer was that one man made the decision in about half an hour.

We cannot comment on the technical right or wrong of this decision, but its effect was that the business closed temporarily and many families suffered severely reduced incomes. What was particularly galling to the narrator of this tale was not merely the decision itself, but the apparent indifference of the official involved. "This man probably can't even remember it. This is the kind of indifference I am talking about. We are still waiting for a reason in writing why this decision was made in the first place."

Bureaucracy and Red Tape.

If perceived indifference is a problem for some, an even more pervasive problem, already touched on in the chapter on small business, is government bureaucracy and red tape. People feel that they have to go through so many bureaucratic hoops and deal with so many different departments and officials, that they eventually lose heart. For small enterprises, delays cost money. We were told, for example, of one tourist venture that applied for money under a government programme in the winter, was not sent an application form until the spring, and did not get its application approved until the late summer when the tourist season was nearly over. Small enterprises cannot succeed in such circumstances. A more general illustration of such difficulties was presented in a brief to the Commission:

> So many times we hear of new incentives for SMALL BUSINESS, new approaches, and that people are in place to assist the individual looking for financial assistance. Too many times these people are in larger centres, or not sure of the system themselves, or just not interested in assisting. Road block after road block keeps building, so that eventually one just gives up in total frustration.

> Example:
> RAND [Department of Rural, Agricultural and Northern Development] will say, "Give us your proposal, we'll do what we can for you."
>
> Road block #1 — "Now you know you must go to your bank and have your bank manager sign that you are not eligible for financial assistance there."
>
> (This is pretty demeaning, and with a lower interest rate at RAND, wouldn't one rather go there?)
>
> Example:
> Department of Tourism — "Give us your proposal and we'll do whatever we can for you."
>
> Road block #2 — "We will need a five year projection on your business."
>
> (If you have accounting skills this might help, but it usually takes an accountant's report to be certain that the projections will be satisfactory, at a cost of a thousand or so dollars. Once you have obtained your projection there is probably other information needed that might require another consultant or two at thousands of dollars, and by now your down payment is eaten up so you are refused the loan on those grounds!)
>
> Example:
> F.B.D.B. [Federal Business Development Bank] — "They have all the answers and all the experts to help but they are all in Corner Brook or St. John's!"

According to these, and many similar accounts, the problem is not the absence of government programmes, but the difficulties that people have in learning about, gaining access to, and then working their way through, the programmes effectively.

The Appropriateness of Programmes.

While there are indeed a myriad of programmes, some people question the **appropriateness** of many of them, again mainly with respect to small communities in rural areas. In the words of a combined brief from three development associations:

> One basic problem with government programs is related to the way they are designed. More often than not programs are designed with national or provincial criteria, as opposed to regional. These criteria are very often unrealistic for rural Newfoundland and are not flexible enough to allow the program maximum success. In designing any government program a provision has to be built in to allow for regional differences and the criteria flexible enough to be applicable to that particular region.

This problem of appropriateness applies to several programmes, in areas such as agriculture, forestry, fishing and the federal government's new Canadian Jobs Strategy. The recommendations in Chapter 10 were designed in part to deal with this problem.

Regulatory Difficulties.

Most departments of government do not consider themselves to be concerned with economic development and employment at all. Rather, they are regulatory agencies charged with administering and enforcing laws and regulations that apply to their departmental jurisdictions. Their function is to protect the environment, preserve wildlife, ensure safe building standards, require that people be well insured and so on. These are all laudable ends in themselves, but too often the regulators lose sight of the costs that their regulations, in particular new regulations, impose upon small enterprises. This was emphasized on several occasions either by intervenors at public hearings or through correspondence to the Commission. A prospective electronics-equipment manufacturer, for example, told us that, although a government official felt his proposal to set up a small manufacturing plant employing nine people was the best that had been submitted for some time, the hassle of dealing with government regulations and the lack of support for the project made him feel like giving up entirely. Also, we heard from a prospective trout farmer on the west coast who had to get past a dozen or so federal and provincial agencies in order to start his enterprise.

We would not suggest that companies be permitted to disregard the regulations that are in place simply so that they can become viable, but there does appear to be a need for greater flexibility in designing and implementing regulations so as not to undermine infant enterprise. Officials should be given the responsibility not only to regulate, but also to ensure that regulations are enforced in a way that is compatible with entrepreneurial initiative: for example, by tailoring regulations to specific circumstances and by permitting an 'easing-in' process of complying with new rules and standards. There should also be closer cooperation between the regulatory and developmental functions of government, particularly when both orders of government are involved, a subject to be discussed in more detail later in this chapter.

Political Interference.

Many Newfoundlanders believe that there is too much political involvement in the economic decision-making process in the province. We saw earlier that this is one of the difficulties with job creation programmes. People in some regions of the province believe that decisions about road building and paving are made more on the basis of governing party affiliation than real transportation need. Others argue that political interference is a more widespread problem:

> The most difficult and frustrating problem to deal with in terms of programmes is political interference. No matter how well a programme is planned or designed, at some point in its delivery it will be subject to political influence. This is a problem that is easily identified but not so easily dealt with. Our elected representatives have to be made aware that the public is becoming increasingly conscious of the fact that they are using projects to score political points and that this is not always desirable.

The Commission does not have any objective data for assessing such claims. The point here is to give an account of people's perceptions of government, particularly in areas related to employment. There is clearly room for improvement in the relationship between the government and the people of Newfoundland. We will make suggestions as to how this can be brought about, but first we need to know more about the internal workings of government itself.

The Operation of Government

To have undertaken a detailed review of the structure and operations of government in Newfoundland would have been beyond the mandate of this Commission. However, we have identified certain features of government's organization which have employment implications; we also note that the way decisions are made tells us a great deal about how government perceives employment-related issues. Since this is a provincial Royal Commission, our remarks in this section focus primarily on the provincial government, although many points do also apply to the federal government.

With the exception of crown corporations and various agencies and commissions, which will not be discussed here, the government's operations can be divided into three components: the government (that is, excluding the bureaucracy), central agencies and line departments.

The Government.

The structure of the Government of Newfoundland and Labrador was reorganized after the Progressive Conservatives took office in the early 1970s. Most of the features still characterizing government today were put in place at that time. All major decisions of government are made by the Cabinet which, officially, is the Executive Council to the Lieutenant-Governor. Currently, Cabinet is made up of the Premier, as chairperson, and his 21 ministers. Only rarely is government policy determined without reference to Cabinet: even the Premier, as the leader of the government, does not normally make major policy decisions without consulting his Cabinet colleagues.

Moreover, Cabinet's role in developing policy is somewhat limited: policy is usually formulated within the departments of government and is vetted through the Cabinet decision-making process. Therefore, individual ministers provide the link between the Cabinet and the various departments and agencies, with deputy ministers being responsible for the liaison between ministers and officials.

The Newfoundland government operates through a Cabinet committee system whereby committees of ministers act as advisers to Cabinet. Depending on their role and composition, some committees are more influential in shaping government policy than others. The most influential committee of Cabinet is the Planning and Priorities Committee on which the Premier and his most senior Cabinet ministers sit. While the committee has no decision-making power independent of Cabinet, the most important policy issues are reviewed here with recommendations forwarded to Cabinet. The Treasury Board is another influential Cabinet committee which, in consultation with the Planning and Priorities Committee, co-ordinates the preparation of budgets and establishes financial, administrative and staffing procedures for the public service. While the *Financial Administration Act* allows Treasury Board to make some decisions without reference to Cabinet, the committee has limited budgetary management and control responsibilities.

The Resource Policy Committee and the Social Policy Committee are composed of ministers responsible for departments in the resource and social development fields respectively. Their principal role is to screen departmental initiatives and to make recommendations on resource and social issues to Cabinet. The Special Committee of Cabinet handles the more routine and administrative matters of

Cabinet. Other committees of Cabinet have more specialized functions: the Committee on M.U.N. Financial Affairs, the Committee on Fisheries' Restructuring, the Committee on International and Interprovincial Trade and the Committee on Appointments.

While Cabinet and its committees generally direct government policy and action, there are requirements by statute for certain matters to be referred to the House of Assembly for discussion and approval. This applies to proposed changes in legislation and budgets, in particular.

The Central Agencies.

The central agencies of the provincial bureaucracy are defined as the three secretariats within the Executive Council: the Cabinet Secretariat, the Treasury Board Secretariat and the Intergovernmental Affairs Secretariat. Because of the centralized role of the Department of Finance in handling the province's finances, this department is viewed by some as operating like a central agency. The central agencies perform a service function for both the Cabinet and its committees, and for line departments. Each of the three secretariats is headed by a minister: the President of the Executive Council (Cabinet Secretariat), the President of Treasury Board and the Minister Responsible for Intergovernmental Affairs. The Clerk of the Executive Council, who is the equivalent of a Deputy Minister for the Cabinet Secretariat, is also the Secretary to Cabinet and is seen as the most senior public servant in the province.

The Cabinet Secretariat is responsible primarily for analyzing Cabinet submissions and for providing guidance to Cabinet on general matters related to policy development and programming. Through the Program Review and Development Division, for example, the Secretariat works with line departments in continually reviewing government policy and programmes. The Newfoundland Statistics Agency and the Economic Research and Analysis Unit also fall within the Cabinet Secretariat and they provide specialized services to all of government.

The Treasury Board Secretariat provides administrative and analytical support to Treasury Board in the preparation of budgets, the allocation of government expenditures and in public service procedural and personnel matters. While the Department of Finance is responsible for overseeing the financial affairs of the province generally, the Treasury Board Secretariat acts as a 'watch-dog' over government expenditures on its own operations.

The Intergovernmental Affairs Secretariat is responsible for co-ordinating relations with other governments: with the federal government, other provincial and territorial governments and, on occasion, governments of other nations. It is the principal agency for negotiating with the federal government and it keeps a watching brief on federal policies and programmes. The Secretariat played a key role in, for example, the constitutional debates of the early 1980s, and the negotiations for jurisdiction over offshore petroleum development leading up to the signing of the Atlantic Accord. The legislation establishing this Secretariat stipulates that all intergovernmental agreements must be approved by the Minister Responsible for Intergovernmental Affairs.

The central agencies seem to have a certain aura of mystery about them, not only to outsiders, but also to officials in line departments. Because all of the secretariats are perceived as being close to the sources of government decision-making, and are given widespread authority to examine matters within the bailiwick of line departments, they are often treated with suspicion and distrust by other departments. Line department officials often feel that the system is too highly centralized and that central agencies 'meddle' unnecessarily in their affairs. However, if the kind of decision-making system employed by the provincial government is to work effectively, close consultation and co-operation between the central agencies and line departments is essential.

The Line Departments.

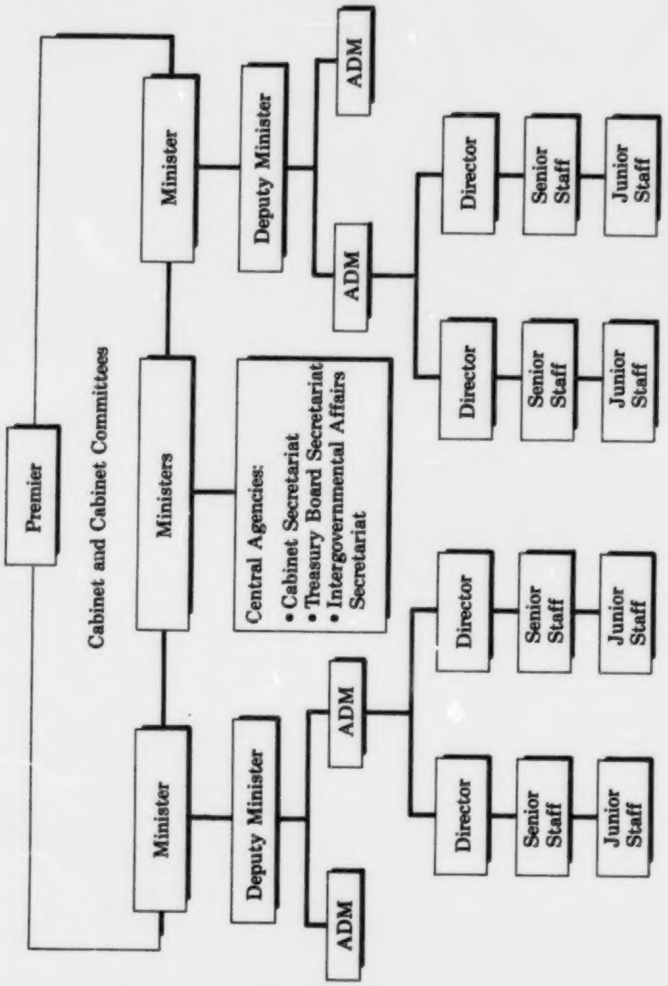
There are presently 18 departments within the provincial bureaucracy that are commonly referred to as line departments. Each was established by an Act of the Legislature that outlines the department's structure and the mandate it is given within the government organization. Following the reorganization of the provincial government in the early 1970s, departments were realigned along 'sectoral' rather than 'thematic' lines, which was consistent with the new provincial development thrust towards strengthening the individual sectors of the Newfoundland economy. Therefore, rather than departments covering broad areas like Provincial Affairs or Natural Resources, they took on far more focused responsibilities – fisheries, forestry, health, education and so on. The drawback was that two or more departments could share responsibility for the same policy area: the Departments of Health and Social Services are a case in point. For many years, each had jurisdiction over programmes for the elderly, until these were eventually consolidated within the Health Department.

All line departments are organized along similar hierarchical lines headed by a minister who is a member of Cabinet. The senior public servant in each department is the deputy minister who typically has one, two or even three assistant deputy ministers in charge of different branches of the department. Beneath each assistant deputy minister are directors in charge of the various divisions of each branch, and beneath each director are the senior and junior staff. The basic organizational structure is outlined in Figure 13.4.

Although formally equal, departments differ in the degree of influence they have in shaping government policy and implementing programmes. Some departments have closer dealings with the central agencies; some have more senior ranking and higher-paid officials on staff. The Departments of Finance, and Development and Tourism, for example, are generally considered to be more influential within government than, say, the Departments of Social Services and RAND.

This organizational structure has certain advantages. The levels of authority and lines of communications are clear cut, and the central agencies, especially the Treasury Board Secretariat, are able to exert considerable control over the operations of government. This tight structure and centralized control, some would argue, may help explain the government's success in keeping its expenditures down in recent years, as agencies like Treasury Board can respond to, and act immediately on, the direct orders of Cabinet. For individual public servants, the system also has the advantage of making career paths straightforward. People advance by moving up the hierarchy in their own department, or by succeeding in a competition for a vacancy at a higher level in another department or within a central agency. The ultimate in career advancement is to reach the position of deputy minister, which tends to be a position appointed by Cabinet rather than selected through open competition.

Figure 13.4
Organizational Structure of the Provincial Government


Premier
Cabinet and Cabinet Committees
Minister
Ministers
Minister
Deputy Minister
Deputy Minister
Central Agencies:
• Cabinet Secretariat
• Treasury Board Secretariat
• Intergovernmental Affairs Secretariat
ADM
ADM
ADM
ADM
Director
Director
Director
Director
Senior Staff
Senior Staff
Senior Staff
Senior Staff
Junior Staff
Junior Staff
Junior Staff
Junior Staff

ADM: Assistant Deputy Minister

From the point of view of provincial development, however, this organizational structure suffers from some serious flaws. First, it is highly **centralized** in a twofold sense. It is centralized internally, in that the central agencies exert most control, which often leaves people in the line departments feeling frustrated when they cannot follow through on programmes and policies they would like to initiate. In time, many such officials lose their sense of initiative and become resigned to administering programmes designed by others. The system is also highly centralized in St. John's. While most line departments do have field offices in other locations around the province, this is not true for the central agencies, where policy and programmes are evaluated and upon whose advice government decisions are often based. In their formal roles at least, the system's main decision-makers live their working lives quite remote from the everyday concerns of most Newfoundlanders.

A second flaw in the system stems from its hierarchical or **pyramidal structure**. This works fairly well for communicating directives in a 'top-down' fashion from the Premier and Cabinet through ministers and deputy ministers down to the various levels of officials. But communication is less effective in the other direction. Junior-level officials, especially those located in field offices remote from Confederation Building in St. John's, have little opportunity to communicate their ideas up through the system to influence the key decision-makers. The system is **rigid** rather than flexible, and is slow to respond to initiatives emanating either from outside or from its own junior people. It needs to be changed so that deputy ministers and other senior officials can get closer to people and problems 'on the ground'.

The pyramidal structure also tends to deflect people's energies away from performing tasks effectively and towards complying with rules and regulations so as to ensure career success. Innovative thinking appears to be risky because it might fail or, even if it succeeds, it might be frowned upon by superiors in the hierarchy. It is safer to play by the rules, not take chances, and progress up the hierarchy by faithfully administering programmes designed by others. To some degree, hierarchy is inherent in organizations, but innovative changes in other large organizations - including many multi-national corporations - show that decision-making can be decentralized effectively with senior executives still maintaining control.

For the clients of this government system (the citizens of the province) the pyramidal structure is partly to blame for their feeling that government is remote and, when it does touch their lives, paternalistic. Programmes work their way down the hierarchy and out to the people, rather than the other way around and, when people want to take advantage of the programmes that government has to offer, their proposals have to be processed through several layers of bureaucracy before they can be implemented.

The problem of **lateral communication** between departments is even more pronounced. In its discussions with departmental officials, the Commission was struck by how little one department seemed to know about what another department was doing. The Rural Development branch of RAND and the Department of Fisheries, for example, have little contact with one another even though fishing is the main industry of many rural communities. This lack of communication in turn means a **lack of co-ordination** of programmes and policies among departments, unnecessary duplication and a penchant for empire building. It is striking how, when a new topic becomes fashionable, several departments become interested in claiming it for their own. For example, both Development and Tourism, and Career Development and Advanced Studies have expressed their intention to provide training programmes for offshore oil and gas; Development and Tourism, and RAND are both involved in promoting small business; and RAND, Development and Tourism, and Fisheries all want to take the lead in aquaculture. Whereas a more flexible, open system would allow for **interdepartmental task groups** to deal with such topics in a concerted way, the present structure fosters not only duplication but, in some cases, conflicting approaches to the same topic.

The separate approaches of the different departments show up as well in their regional branch offices. Different departments divide up the province in different ways, and place their field officers in different locations. While this is sometimes unavoidable, nevertheless we believe that, just as government is poorly co-ordinated at the centre, so it seems to be poorly co-ordinated in the regions as well. When we consider that the federal government also has its own field officers from several departments distributed according to other criteria, we can see that governments' presence within the regions, although pervasive, lacks overall direction and co-ordination. To take one example for illustration, both levels of government appoint part-time fisheries and wildlife officers to enforce federal and provincial regulations. It would be more efficient if both governments combined their resources to train and appoint full-time, professional conservation officers. This would also help to overcome the existing problem of using local people as officers in their own local communities. This places the officers in a difficult position, since they are vulnerable to social pressures which may prevent them from enforcing fisheries and wildlife regulations properly. A professional corps of conservation officers who did not have strong ties to the area in which they worked would be more effective all round.

The Commission believes, then, that neither its financial restrictions, nor the unrealistic expectations that some people have of it, are sufficient in themselves to explain why many Newfoundlanders find it difficult and frustrating to deal with their government. Part of the problem lies in the organizational structure of government itself, and in the kinds of attitudes and career orientations that this structure engenders. These should be changed so that the provincial government itself can maximize its own contributions to economic development and employment.

New Directions for Government

The Royal Commission did not undertake a study of government, but we did learn a lot about it, both in our own direct dealings with it and indirectly through the reports of others. We learned enough to be convinced of the need for a detailed and constructive study of the workings of government and how it can be reorganized to play a more positive role in the province's development.

Recommendation

The provincial government should commission an external task force to study the workings of government itself, with a view towards a constructive reorganization that would permit more efficient programme delivery, better communications and co-ordination among departments, greater sensitivity and efficiency in serving clients in the regions, and a developmental orientation among public officials at all levels.

The proposed task force should examine alternative organizational structures in both public and private organizations. In recent years, multi-national corporations have paid considerable attention to the shortcomings of the pyramidal structure, and to the need to combine challenging work, decentralized decision making and centralized control. In the oil industry, for example, professional employees commonly work in groups for specific tasks or projects, and these groups cut across disciplinary departments such as geophysics and engineering. With respect to the examples of unnecessary duplication we cited earlier, the Newfoundland government could institute working groups, drawing from several departments, to tackle specific issues and problems. There could, for example, be a 'Hibernia group' drawn from the Petroleum Directorate, Intergovernmental Affairs, Development and Tourism, Career Development and Advanced Studies and RAND, and an 'aquaculture group' drawn from Fisheries, Development and Tourism, and RAND. These groups could be further strengthened by seconding personnel from outside the provincial bureaucracy on a short-term basis, such as someone from the Canada-Newfoundland Petroleum Board for the 'Hibernia group' and representatives from the federal Department of Fisheries and Oceans and the Fishermen's Union for the 'aquaculture group'. These secondments would not only strengthen the working groups, but also help to break down the communications barriers that now exist between the provincial government and other organizations in Newfoundland society.

The task force should also assess the relationship between the government and the public it serves. In Chapter 11 we saw how important this is in promoting small enterprise, and suggested that regional enterprise centres should improve the liaison between would-be entrepreneurs and government officials. For this to work, officials need to take the concerns of their clients as a high priority, both in business and in other programmes such as social services, recreation and health. To improve morale and encourage employee initiative within the line departments, the idea of block funding should be considered. Departments would still have to submit budget estimates and account for their expenditures, but the disposition of these funds, once allocated, would be left to departmental discretion. For example, departments should be permitted the flexibility to move funds among the various sub-heads without lengthy Treasury Board approvals. Such a system works well in other organizations, such as Memorial University.

The current structure of government seems to work reasonably well in terms of programme generation, but less well when it comes to review and assessment. As a recent study of the Newfoundland Public Service notes: "Once launched, programmes are almost impossible to kill off." This observation agrees with the Commission's impression. Given its severe financial restrictions, the Newfoundland government cannot afford to continue to promote programmes of little or no value while, at the same time, promising new programmes are being turned down because of a lack of funds. An underlying problem seems to be that, at present, there is no real way of knowing which programmes are effective and which are not. The system needs a built-in feedback mechanism for continually assessing, revising and, where they are not proving effective, abandoning programmes. This is particularly important in those departments specifically charged with the responsibility of promoting economic development and employment.

> ***Recommendation***
>
> *All programmes set up by government should have built-in procedures for assessing, revising and, where they are not proving effective, abandoning programmes. 'Sunset clauses' should be instituted whereby new programmes would have a finite life-span and would be renewed only if they proved effective.*

It is equally important that the departments of government be accountable to the public. This could be effected by the publication of annual departmental reports which reviewed the various programmes. For those departments responsible for economic development - mainly RAND and the Department of Development and Tourism - their annual reports should document their efforts and success rates in the stimulation of new enterprise and also record the numbers of jobs created. While the Commission has been much concerned about provincial economic development during the past year, we heard little from the Department of Development and Tourism, the government department charged with this responsibility. While we do not have sufficient evidence on which to base an objective assessment our impression, and that of many Newfoundlanders, is that this department is not being as effective as it should be in achieving economic development and job creation. It would be easier to judge if better information were made available.

> ***Recommendation***
>
> *All government departments and agencies should be required to publish annual reports on their programmes and activities which would be readily available to the public. In their annual reports, departments responsible for economic development should document their success rates in stimulating new enterprise and the number of new jobs created as a result of their efforts.*

Programme review needs to be complemented by a thorough process of personnel review. While it is an old adage that "you can't be fired from the civil service", and public-service unions rightly give high priority to job security, it is also true that our province desperately needs to have the best available people in its leadership positions, many of which are within government. We are not advocating purges or wholesale firings; but schemes such as voluntary early retirement, and the circulation of personnel into other positions to open up opportunities for new able people, should be introduced. More generally, **the developmental function of government should be given high priority in the training of public servants.** Officials whose functions are mainly regulatory should nevertheless be sensitive to the effects that the enforcement of their regulations can have upon economic enterprises, and they should work constructively with those affected by the regulations so as to minimize business and employment disruption.

Recommendations

Personnel policies within the public service should ensure that the most able people can acquire leadership positions, and public servants should be trained to be sensitive to the developmental implications of their regulations and activities.

New regulatory programmes should be assessed routinely for their probable impact upon business activity and employment, and the firms and individuals to be affected should be consulted in advance as to how the programmes can be phased in with as little disruption as possible.

The delivery of government services throughout the regions of the province should also be examined by the task force. The regional offices and services of the different departments and agencies need to be rationalized and co-ordinated. They also need to be integrated with the regional boards proposed in Chapter 10. A major thrust of this task force should be to rectify the sense of alienation from their government felt by so many Newfoundlanders.

Finally, in this section, we note that the province's *Public Tender Act* has been criticized by many small-businesspersons for being too rigid in its bid requirements. In addition, 'local preference' has been so widely interpreted that it fails to favour genuine Newfoundland firms as much as it should. While the *Public Tender Act* is important for ensuring fairness in letting government contracts, this should be compatible with stimulating small enterprise and encouraging local production of goods and services. The Commission wonders why the revised *Public Tender Act* and the *Provincial Preference Act* (both passed in 1984) have taken so long to be proclaimed. We believe that overall economic efficiency can sometimes mean using local firms and materials within the region or community where a project is to take place, rather than simply giving the contract to the lowest bidder in a province-wide competition. Used with greater flexibility, the public tender process could be a tool for community, regional and provincial development. Provincial preference provisions should also be reviewed in this light, with preference being shown not just to Newfoundland content, but also to regions and communities. We also believe that Newfoundland ownership and control criteria should be used in assessing provincial preference, along the lines of the province's 1977 petroleum regulations.

Recommendation

The province's Public Tender Act, in conjunction with its local preference and procurement guidelines, should be reviewed to ensure that, while maintaining fairness in letting government contracts, Newfoundland-owned enterprises be supported and encouraged to the maximum extent possible in all regions of the province.

The Federal Government

Because ours is a provincial Royal Commission, most of our remarks in this chapter have been addressed to the provincial government. Nevertheless, the federal order of government plays an important role in Newfoundland's affairs and we would like to make a few brief comments on this.

Many of the public policy and administrative decisions made in Ottawa have major implications for employment across the country. For example, during the 1970s, the federal government set about decentralizing federal authority either by creating regional offices of federal departments, or by relocating branches of existing offices from Ottawa to provincial capitals. Key initiatives included the establishment of provincial offices of DREE: the agency that was given responsibility for working with provincial governments and industries to promote more effective regional development; the relocation of the headquarters of the Department of Veteran's Affairs from Ottawa to Charlottetown and, more recently, the appointment of senior-level federal economic development co-ordinators for each province, who provide a direct liaison between Ottawa decision-makers and federal departments in the province. In addition, several federal departments (such as Agriculture Canada) created or expanded regional development offices in provincial capitals in order to co-ordinate federal-provincial initiatives.

Newfoundland received some benefits during this decade of decentralization: for instance, Revenue Canada located its Taxation Data Centre for the entire Atlantic Region in St. John's, and the National Research Council built the Institute for Marine Dynamics on the campus of Memorial University, rather than in Ottawa. Although the Water Transport Assistance Board was scheduled to relocate from Ottawa to St. John's, the decision was subsequently reversed and only a handful of officials actually moved.

The federal government appeared to terminate its decentralization policy in 1980, although those regions and cities to which federal institutions had been moved received significant boosts to their economy and additional employment opportunities. Nonetheless, despite the goals of the decentralization policy, little decision-making authority had actually devolved from Ottawa to regional offices: power still remains very centralized in the nation's capital and the regional offices still have only limited authority to make policy decisions or to approve new initiatives.

In Newfoundland, several federal departments (for example, Employment and Immigration Canada) do have some autonomy in the Newfoundland region. They are headed by a director-general and report directly to Ottawa. Other departments (such as Environment Canada) have only a district office in St. John's and report to Ottawa through a high-level regional office in the Maritimes. Some departments, such as Labour Canada, have a very limited staff complement while others – notably the Department of Indian and Northern Affairs – have no presence in Newfoundland at all. As part of the federally designated 'Atlantic Region', some Newfoundland offices of the federal government have to report through a regional office in the Maritime Provinces. This adds an additional bureaucratic level, with doubtful benefits for Newfoundland clients.

In Chapter 5, we recommended that the responsibility for all Newfoundland fisheries areas should be vested in the Newfoundland regional office of the Department of Fisheries and Oceans in St. John's, as opposed to the current arrangement where the fisheries of the province's west coast fall under the auspices of the department's 'Gulf Region,' based in Moncton, New Brunswick. Similarly, we believe that, since approximately 70 per cent of all CN Marine's operations affect Newfoundland, St. John's or Port aux Basques would be a more logical site for the agency's headquarters than Moncton.

For several years now, the Newfoundland government has adhered to a policy of 'non-alignment' with the Maritime Provinces in an attempt to establish a distinct identity rather than be subsumed under the Atlantic Region. The rationale for this policy is that the distinctiveness of this province, coupled with its distance from our neighbours in the Maritime Provinces, requires that Newfoundland be viewed by Ottawa as a single region in its own right. While this Commission agrees that Newfoundland constitutes a distinct region, separate from the Maritimes, we also believe that the provincial government should not isolate itself from those Atlantic Region initiatives from which it can benefit. A case in point is the Newfoundland government's apparent lack of interest in working with the federal government and the Maritime Provinces in designing the Atlantic Enterprise Programme. To an important degree, we are part of an Atlantic regional economy, and we must seize any opportunities that come our way for economic development and employment.

Over the last eight years or so, we have witnessed an increase in federal-provincial relations and negotiations. Many federal-provincial initiatives (such as the restructuring of the fisheries and the Atlantic Accord) have been implemented through the federal-provincial negotiation process and this 'co-operative federalism' must continue in the foreseeable future. Even in areas over which the provincial government has constitutional authority, co-operation with the federal government is essential, given the importance of federal fiscal and service inputs into Newfoundland. With major negotiations on Established Programme Financing (EPF), trade policy and regional development agreements on the horizon, federal-provincial relations will continue to play a vital role in Newfoundland public policy.

Despite the importance of federal-provincial relations, Newfoundland lacks a strong presence in Ottawa compared to many other provinces. Five provinces (British Columbia, Alberta, Saskatchewan, Ontario and Quebec) and both territories have offices in Ottawa where officials keep abreast of major activities taking place in the nation's capital and act as sources of intelligence for their governments. Newfoundland does not do this, with the result that it tends to be reactive rather than proactive with respect to new federal policies and initiatives. Moreover, the lobbying power of the Newfoundland government is weak compared to that of many provincial governments. Not only should Newfoundland strengthen its presence in Ottawa, but we would also urge the federal government to pay more attention to its relations with Newfoundland, possibly by establishing a branch office of the Federal-Provincial Relations Office in St. John's.

Recommendation

The provincial government should reformulate its intergovernmental relations strategy in such a way as to take a more proactive role in its dealings with Ottawa and the rest of Canada. In this way it will be able to maintain its own particular characteristics as a distinct entity within Confederation and also operate as a strong and confident presence within Atlantic Canada.

Municipal and Regional Government

At the time of Confederation, government in Newfoundland had to remain highly centralized in St. John's because local government was all but non-existent. During the past 25 years, however, this has changed dramatically. While they are still experiencing growing pains, many towns and villages in Newfoundland today enjoy sound government at the local level. At our public hearings, the Commission was impressed by the dedication of many mayors and councillors and the quality of their briefs to us. Newfoundland municipalities, however, work on an insecure financial base and the scope of their jurisdiction is less than that of municipalities in most developed countries. Unlike the situation in many European countries, municipal government has no constitutional authority in Canada. It is entirely dependent on the provincial order of government both for its authority and for much of its income. This is particularly so in our province, where the improved capability of municipal governments, which can potentially play a greater role in achieving self-reliance and economic development, is not being put to best effect. The Commission advocates that the provincial government, in co-operation with the Federation of Mayors and Municipalities, institute a plan for the gradual devolution of greater administrative authority to the municipalities and for the establishment of regional government. In the long run, this would be the best way to dispel regional alienation, and it would have the added advantage of allowing provincial officials to spend more time dealing with broader issues rather than being involved in the minutiae of regional and local affairs.

The main barrier to such an initiative at present is financial. Newfoundlanders are loath to pay property taxes and, indeed, a property-tax system is not well suited to the economy of rural Newfoundland. This weakens the position of the municipalities, which are continually beholden to the provincial government for grants. Alternative mechanisms for local government funding should be examined. In Norway, for example, a proportion of personal income tax is automatically transferred to county and municipal governments. Such a system should be considered for Newfoundland, and need not be costly as long as responsibilities are transferred to the local level in proportion to their improved financial base.

> ***Recommendation***
>
> *The provincial government, in conjunction with the Federation of Mayors and Municipalities, should work towards the strengthening of local and regional government within the province and should examine new mechanisms for putting them on a sound financial base.*

Strengthening local government is not just an end in itself. As the experiences of regions such as the Shetland and Orkney Islands have shown, strong local government can be an important factor in promoting economic development. Incoming firms are less likely to exploit an area, and local firms are more likely to participate in new developments, under the leadership of strong local government. In Iceland, for example, municipalities have become successful participants in economic enterprises, including partial ownership of local fish plants. Some municipalities in Newfoundland, such as Pasadena and Stephenville, have already shown considerable initiative in trying to establish a niche in onshore oil-related activities. Such initiatives should be encouraged: they represent another strength on which we should be building.

Government for Development

The provincial government itself is a great resource. On the whole, its elected and appointed officials are better educated and more experienced than ever before in our history. The government has many able and dedicated people in its service, as well as a myriad of programmes designed to contribute to the well-being of the people of the province. Yet many Newfoundlanders feel, and the Commission concurs, that the government is not being as effective as it should be in promoting economic development.

The Commission has addressed the role of government in economic development and employment enhancement in this, the final chapter before our conclusion, because we believe it is **important**. Our province needs strong leadership from our politicians and public officials in order to transform the balanced, integrated strategy advocated in this Report from vision to reality. Through such measures as programme reviews and annual reports, government must be more **accountable** and more **responsible** for all kinds of enterprise initiatives, no matter how humble, and it must become less centralized, more flexible and more responsive to the needs of the citizens it serves. The government must itself be willing to make changes and to adopt a developmental, rather than a regulatory, attitude to these matters. The executive of our government has to make a positive commitment to supporting all forms of economic enterprise as a priority, and to creating a climate in which economic development and employment growth will happen.

Notes

1. The review of the Task Force is contained in David P. Ross, "Where the Federal Government is Going: Charting and Staying the Course September 1984 to April 1985", Occasional Paper to the Royal Commission on Employment and Unemployment, 1986.

CHAPTER 14

Conclusion: A Twenty Point Programme

This Report has been based upon two propositions:
1 the pessimistic proposition that, if the Newfoundland economy and our developmental policies continue on their present course, we will continue to be plagued by unacceptably high rates of unemployment for many years to come; and
2 the optimistic proposition that, if we have the courage to effect fundamental changes in our attitudes and policies in order to stimulate and support enterprise and self-reliance, unemployment can be greatly reduced and the level of well-being much improved.

The Commission rejects both the unrealistic notion that there are any easy or miracle cures for unemployment, and the defeatist attitude that there is little that can be done. On the contrary, we believe that concerted action over a broad spectrum can bring about the kind of transformation that will make us an economically vibrant, more self-reliant society with a low rate of unemployment.

The changes that we have suggested are based on a clear vision of where we should be heading. The Commission has rejected both a romanticized yearning for the past and an unrealistic expectation of becoming a heavily industrialized society. The latter has been the primary economic thrust of our policy-makers during this century, but it fails to take into account our peripheral location with respect to major markets, our dispersed and sparse population and the rural nature of much of our society. While the Commission has advocated that big industries be developed here to the extent that makes sound economic sense, our research has shown that big industry alone will not provide jobs in the numbers we need. This is why we have stressed instead a balanced approach to economic development. This approach encourages medium- and small-scale enterprises, and takes advantage of modern forms of communication and technology, in order to build upon the latent strengths of all parts of our society, including our small outports, our resource towns and our regional service centres.

The Commission has adopted a pragmatic approach to its task. Whether it be private sector, public sector, co-operatives or community development corporations, we have favoured whatever means we believe can contribute to job creation. And we have acknowledged no sacred cows. Where we have identified problems – whether in education, income security, labour relations or the performance of government departments and agencies – we have made suggestions for change.

In Part II of this Report, we offered several recommendations for improving specific parts of our economy – such as the fisheries, agrifoods and marine services – and for improving the employment opportunities of those categories of Newfoundlanders who face special difficulties in the labour market. In Part III, we considered the kinds of changes that need to be made in our institutions, attitudes and programmes if we are to create the right conditions for balanced economic and employment growth: changes in education, transportation, labour relations, regional centres, rural development, small enterprise, income security and the organization and policies of government. These changes will have to be integrated and mutually supportive.

For convenience, the recommendations made throughout the Report are presented together in Appendix VII. In this concluding chapter, we summarize our findings and contentions somewhat differently, into what we have called a Twenty Point Programme for reducing unemployment in Newfoundland.

Realism in our Major Resource Industries.
Newfoundland is a small, open economy on the periphery of North America. Geography, economics and politics dictate strict limits to the kinds of large-scale industrial activities that are feasible in Newfoundland. The Commission advocates that the province be realistic in its expectations of big industry. We should consolidate those established resource and manufacturing enterprises where we do have comparative advantages, such as pulp and paper and fish processing, and not devote undue effort towards attracting new industries in which we have little in the way of comparative advantage. In the established resource industries – fishing, mining, pulp and paper and hydroelectricity – we should recognize that, to remain competitive and therefore protect employment in the long run, Newfoundland-based operations have to introduce new technology and streamline operations. This may lead to some reduction in direct employment; procedures for dealing with this in a fair way should be negotiated by the companies, labour unions and government.

In the long run, we should aim to exert more provincial control over our resource industries, including taking an equity position, if necessary, perhaps through joint-venture arrangements. Newfoundland ownership should mean that more profits could be re-invested in Newfoundland, more senior-level personnel trained and hired in Newfoundland, more research and development could take place in Newfoundland, and companies would be more likely to develop long-term commitments to this province.

Benefitting from Oil and Gas.
The one important new industry where we do have a comparative advantage, due to promising discoveries off our shores, is oil and gas. Newfoundland fought hard to gain control of this resource in the late 1970s, and the signing of the Atlantic Accord in 1985 gives us joint jurisdiction with the federal government. Falling oil prices, however, have reduced the initial revenue and employment prospects of this new industry. Nevertheless, we expect that Newfoundland will have an oil and gas industry, at least on a modest scale, with the Hibernia field coming into production during the early 1990s and perhaps two other smaller fields operating by the end of the century.

The Commission recommends that government attempt to maximize oil and gas revenues, which can be used to reduce the provincial debt, lower taxes, improve social services and contribute to other forms of economic development throughout the province. We should keep insisting on local preference in oil-related business opportunities and employment and introduce flexible training schemes in skills that are transferable to other industries. Most oil-related activities will inevitably be concentrated in the eastern part of the province, and the Commission does not advocate that market forces be interfered with unduly. Rather, we should use oil to promote the urban-industrial development of this part of the province in an orderly fashion, while distributing as much as possible related activities – such as module fabrication, service and supply-base operations and small-scale manufacturing and servicing – throughout other regions of the province. More Newfoundlanders should share in offshore employment opportunities, and this will be achieved if the companies change to a 'two-week-on, three-week-off' work schedule.

The Commission is wary of the province itself going heavily into debt, through subsidies and guarantees, just to get production started; we recommend instead that a profit-based taxation scheme be introduced which shares risks between the operators and the two orders of government. Given the provincial government's limited financial strength, along with the need to fund several new initiatives for economic development in all regions of the province, we would also advise against the government's incurring large infrastructural expenses in the hope of attracting large-scale oil-related fabrication and manufacturing activities here. Even with lower world prices, oil and gas are valuable new resources which must be managed wisely so as to maximize long-term economic development and employment benefits in all sectors and regions of Newfoundland.

Maximizing Spin-off Benefits from our Big Industries.

Given Newfoundland's long experience with major resource industries, it is disappointing that so few resource-related manufacturing and servicing enterprises have developed here. Rather than chase after more large industries and offer them generous incentives to become established in Newfoundland against the logic of market forces, we should pay more attention to consolidating the industries that we have and, in particular, to maximizing our spin-off benefits and indirect employment from these industries. Today, despite our long fishing tradition, and despite our being the home province of a major multi-national fishing company (Fishery Products International [FPI]), Newfoundland manufactures practically nothing for the fishing industry. This situation must change. Given the head start of our international competitors, it will not be easy to break into fisheries (or other resource-related) manufacturing. With hard work, solid support from all orders of government and a carefully devised strategy that starts with those products in which we are most likely to be successful, this initiative should be very promising for long-term economic development and employment creation.

We also need to pay more attention to the further processing of our resources in Newfoundland. Recent initiatives by FPI at Burin and by a number of independent processors belie the old assumption that Newfoundland cannot become involved in secondary fish processing because of the United States tariff on processed fish. There may also be some opportunities for further processing in our other established large-scale resource industries and the province should keep petroleum refining, natural gas processing and even petrochemical production in view as long-term goals. We should develop and maintain up-to-date knowledge about these industries.

Revitalizing the Inshore Fisheries.

The Kirby Task Force report and subsequent fisheries restructuring have provided a blueprint and an impetus for the successful development of eastern Canada's offshore fisheries. But the industrial logic that applies to the offshore does not work well for the inshore fisheries. This Commission sees an urgent need for a new policy initiative for the inshore fisheries that would complement the recent initiative for the offshore. This new strategy, we recommend, also involves a new way of thinking about the inshore fishery as part of a package of new regional initiatives. We advocate using seasonality as a strength, developing new processing and warehousing facilities, creating a multi-faceted, multi-species inshore fishery and seeking out new and different markets for the different inshore products we shall produce. We urge as well the adoption, adaptation and development of aquaculture and a new thrust for fisheries-related manufacturing. We also recommend replacing Unemployment Insurance (UI) for fishermen with a new income security programme; deregulating control over fishermen's activities and replacing species specific licences and the full-time/part-time distinction with a new, general licensing system for 'bona fide' inshore fishermen; improving education and training programmes for fishermen and plant workers; building certification procedures and career advancement into the occupation of inshore fishermen to improve their professional standing, and providing greater research and development support in all parts of the fishing industry. The revitalization of this industry so as to create a multi-faceted inshore fishery has a central role to play in community, regional and provincial development.

Developing New Resource Industries.

The Commission believes that we have been so preoccupied with large-scale resource industries oriented to overseas export markets, that we have lost sight of many more modest possibilities for small-scale resource development aimed partly at local markets. Agriculture is a prime example. While Newfoundland can never hope to compete with the prairie provinces, southern Ontario or Prince Edward Island in agriculture, we can produce much more than we do at present for our domestic needs. We should aim for an agrifoods industry which integrates various components in agriculture: land tenure considerations, developing local sources of feed and fertilizers, producing food products for Newfoundland's industries and public institutions and devising a sound marketing and promotional campaign for local produce. In the process of establishing such an industry, many jobs would be created.

A related industry is what the Commission calls the animal products industry. We should be making better use of seals, hunted and trapped fur-bearing animals and farm-grown animals, to develop an integrated animal products industry producing furs, leather goods and other products, both for the domestic market and for export. Similarly, we should be exploiting our alternative energy sources, such as peat and wood chips, to meet more of our domestic energy needs and to create more jobs.

Another exciting new resource industry is aquaculture. Already a growing industry in Japan, Norway, Scotland and other parts of Canada, aquaculture is off to a slow start in this province. We need a bold new initiative here, using both public and private investment, along with a major research and development thrust, in order to establish a provincial aquaculture industry.

Expanding Service-Sector Growth.

The service sector, which includes a great variety of jobs from cleaners through computer analysts to marine scientists, has been the fastest growing part of the Newfoundland economy in recent years. Unlike the ups and downs of the goods-producing sector, its growth has been steady, and it provides secure, year-round jobs. Although growth in the service sector is likely to slow down somewhat during the next decade, the Commission thinks that this sector remains our best hope for increased employment. In the past, government support has focused mainly upon the goods-producing sector in the belief that service-sector growth is mainly derivative of growth in resource extraction and manufacturing. Current economic thinking, however, recognizes that many service industries have their own independent dynamic and can themselves stimulate exports and spin-off benefits. Newfoundland should build up its marine and long-distance communications expertise, for example, and export this service to developing countries; moreover, the large public service institutions – hospitals, schools, the university, government itself – could contribute significantly to local agricultural and manufacturing growth by preferential purchasing of local goods.

Service-industry growth in two other areas, transportation and communications, can prove doubly beneficial. Not only are they sources of employment in their own right, but they are important means of improving economic development opportunities in other industries. Maintaining high quality for fish products, for example, depends to a considerable degree upon being able to transport them quickly to processing plants and markets. Again, remote Newfoundland villages can be brought into the mainstream of modern life through sophisticated communications technology. In general, the service industries hold great promise for economic growth and employment generation, and government policies and education and research programmes should be geared towards supporting this growth in every region of the province.

Tourism.

Tourism is a special kind of service industry in which new dollars are acquired when people from other provinces and countries come to visit Newfoundland. By the same token, when Newfoundlanders themselves vacation in their home province, new employment opportunities are created here, and our tourist dollars are kept here, not lost to other provinces or countries. Many development associations and municipalities around the province expressed an interest in tourist development to the Commission. The provincial Department of Development and Tourism has been attempting to promote this industry for several years, with only limited success. The Commission considers that the Department should change its approach from one of trying to compete on the same terms with other locations for standard tourist dollars to one of concentrating upon what is unique and different in what we offer here. This is a good example of what we mean by building on our strengths. Rather than promote beach holidays, for example, we should sell interesting Newfoundland 'experiences' in such areas as marine life, coastal villages, historic sites, rivers and ponds, wilderness and wildlife, and culture and festivals.

Many contemporary tourists, not only in North America but also in new markets such as West Germany and Japan, are seeking different kinds of experiences away from both urban life and the standard tourist 'package'. By developing special market niches which we can supply, including those which would attract Newfoundlanders on holiday, we should be able to generate much more economic activity and employment in this service industry. It is important that regional and community groups and the private sector be integrated into this development and that it be supported by training programmes to improve the services and amenities we offer to our mainland and foreign visitors.

Labrador and Native Peoples.

While the issues raised by the Commission in other sections of this Report apply to all groups and regions of the province, we have identified some groups and regions within our population that have special employment needs. Due mainly to the severe difficulties entailed in trying to adapt a pre-European economy and culture to a modern society, the native peoples of this province (Inuit and Innu in Labrador; Micmac Indians on the Island) exhibit very high unemployment levels, low incomes, much dependency upon government programmes and high incidences of social problems. They need special programmes tailored to their needs. Through negotiating land claims, allowing greater native involvement in the administration of their own affairs and gearing educational programmes to their needs, the lot of our native peoples will be improved. In keeping with the general philosophy of this Report, the Commission favours an approach that helps native peoples help themselves to become more self-reliant, rather than the bureaucratic and somewhat paternalistic approach that has characterized Newfoundland's relations with its native peoples in the past.

It must be borne in mind, however, that native peoples are not the only ones in need in Labrador, and that the designation 'native' itself is not always clear-cut. Communities along the south coast of Labrador are more isolated than those in most other parts of the province and rely upon an inshore fishery characterized by a very short season. They need improved transportation connections, extended income supplementation (either through unemployment insurance or, preferably, the new income security system described in Chapter 12 of this Report) and improved access to educational opportunities. In the interior of Labrador, the towns of Happy Valley—Goose Bay, North West River, Churchill Falls, Labrador City and Wabush also have special transportation problems and are highly dependent upon single industries. Provincial development policies have to be sensitive to the needs of all parts of Labrador.

Youth.

The very high rate of youth unemployment is particularly disturbing to this Commission, and was an issue raised by many worried parents, teachers and young people during our public hearings. Whereas in other parts of Canada, youth unemployment is expected to drop over the next few years, the post-Confederation baby boom means that Newfoundland can expect to have many young people vying for jobs for several years to come. The Commission believes that special initiatives are needed to deal with the youth unemployment problem. The private sector should be given financial incentives to hire and train young people, programmes should be established to help young entrepreneurs start their own businesses and a special public-sector initiative should be taken – the establishment of a Young Newfoundland Conservation Corps – which would hire and train groups of young Newfoundlanders in conservation projects and other productive work.

Women.

Employment opportunities for women in Newfoundland have been growing faster than for men in recent years, and the unemployment rate for the two sexes is now about the same. Nevertheless, the female participation rate is still lower than the male rate, women are paid less than men even in the same job categories, and there are still great difficulties for women wanting to break into a number of male-dominated occupations. We support the principle of equality of opportunity for both sexes in the workplace, not only because it is just, but also because it is necessary if society is to develop its human potential to the full. To further this goal, we advocate that access to good quality day care should be made readily available to all parents, that sex-stereotyping be eradicated from the school curriculum and that equal pay be received for equal work for all occupational positions.

Other Special Needs.

Some other groups with special needs identified by the Commission are those living in communities or regions with particularly high unemployment rates, those in single-industry towns and those who have disabilities. Not only in Labrador, but also on parts of the Island, many people face particular employment and labour-market problems because of the community or region in which they happen to have been born and raised. Single-industry towns based on mining, logging or, on occasion, a single service, such as a hospital or military base, are particularly vulnerable. When the industry shuts down, hundreds can be thrown out of work at once and some of them may have skills unsuited to alternative industries. All of them face high adjustment costs if they want to re-establish themselves, even if they are willing to move. Many families may stay and try to eke out a living as best they can and a large number of people may become dependent upon state support. The Commission suggests that the government design a policy for dealing with the problems of single-industry towns. Wherever possible, the best solution in the future is probably to discourage such towns from becoming established in the first place, through commuting systems and temporary work camps.

Other regions of the province face different labour-market difficulties. Communities in some 'pockets' of high unemployment on the south coast, the Port au Port Peninsula and the Great Northern Peninsula have histories of high unemployment which are particularly difficult to eradicate. They need special help such as, for example, the Canadian Jobs Strategy's new Community Futures Programme.

Finally, in this section, we note that too many people with disabilities suffer from unemployment, not because of their disability as such, but because barriers in transportation, architecture and education and, on occasion, discrimination prevent them from finding jobs. Such barriers should be removed so that these Newfoundlanders, too, can enjoy equal opportunities for employment.

The Unemployed.

Special consideration must also be given to the plight of the unemployed themselves. No matter how successful we are as a society in reducing unemployment in the years ahead, we have to expect that many people will continue to suffer from the low incomes, social isolation and low self-esteem that unemployment brings. There is no real cure for unemployment except employment, but the Commission does offer some suggestions about how life could be improved for the unemployed. Most important of all, they should be provided with an adequate level of income security. In a society with an unemployment rate as high as ours, many people who are willing to work nevertheless find themselves without jobs. They should be given access to education and training and to special programmes that would help to alleviate the ill-effects of unemployment.

Improving Basic Education.
In its terms of reference, the Commission was asked to assess education and training programmes in terms of how well they trained Newfoundlanders for the labour market. As a result of the hearings and our research, we became convinced that education and training needed to be more widely conceived, because they play a fundamental role in economic development and employment creation. Research in other countries has also shown that there is a strong relationship between general education levels and economic growth. Successful societies are well-educated societies.

Newfoundland's education system has expanded rapidly since Confederation, but a large proportion of our population, especially in small communities, remains functionally illiterate and poorly educated. If Newfoundland is to achieve the kind of economic regeneration advocated by this Commission, with modern communications systems, sophisticated resource industries and widely dispersed service industries, its population must become better educated and the goals of the education system must be brought into line with the kind of society we envision. In a separate report on education (See Appendix II), the Commission identifies several basic issues related to education and training and makes 46 recommendations for improvements. These cover a range of issues for our primary, elementary and secondary schools: early childhood education, better training for teachers, making education more relevant to life in rural communities, reviewing the denominational school system and the administration of education in this province.

Improving Post-Secondary Education.
Those with university degrees and other forms of post-secondary education continue to fare best in the job market. In an information society, higher education is more important than ever. In recent years in Newfoundland, however, enrollments in our vocational schools have decreased, our University is hard pressed to maintain standards, our College of Trades and Technology is filled to capacity and our Institute of Fisheries and Marine Technology is only now beginning to take a firm lead in fisheries and marine training. The Commission recommends that Newfoundland's post-secondary education system become more efficient and more directly geared to supporting economic development. Our three major institutions – Memorial University, the Institute of Fisheries and Marine Technology and the College of Trades and Technology (which, we recommend, should be renamed the Newfoundland and Labrador Institute of Technology) – should be co-ordinated as an integrated core of knowledge and technical expertise. Throughout the province, the vocational schools should be reconstituted as a community college system. This system should be independent of government, it should enjoy a significant degree of regional autonomy and it should be co-ordinated by a central board. The community colleges we envision would act as brokers for courses from Memorial University, the Institute of Fisheries and Marine Technology and the Institute of Technology and would also offer courses of their own in response to local needs. They would have a strong mandate to bring education to the people, especially in remote and rural areas, and they should play an important role in promoting enterprise and self-reliance.

Improved Labour Relations.
The new climate of international industrial competitiveness has major implications for labour relations that have not yet been addressed in this province. Our trades unions, which are currently in a defensive position because of the job losses of recent years, must be incorporated into the kind of provincial debate about labour relations that is appropriate for a post-industrial society. Worker participation, quality-control circles and a host of other innovative ideas in management and industrial relations are catchwords of modern industry. We have to incorporate such changes into our own society while protecting the economic security of Newfoundland workers through fair lay-off allowances, retraining schemes and early retirement provisions. This should happen in a planned and orderly way, with labour leaders integrally involved in the process, rather than in the *ad hoc* fashion that has characterized the last 10 years. The Commission suggests the setting up of a Labour Relations Tribunal with representatives from industry, labour and a neutral third party to take the lead in creating a more enlightened approach to industrial relations. This will be essential if we are to keep our established large-scale industries competitive and also break successfully into new industries such as the construction of offshore production platforms.

Promoting Provincial Development.
Many important employment-related issues are province-wide in their scope. In addition to a new thrust for rural development, we also need to support regional service centres and the urban parts of the province. For any province or state to be successful and progressive in late twentieth century North America, it must be well attuned to, and integrated into, national and continental trends and developments. The Commission opposes isolationism and advocates that Newfoundland should become a more prominent player in national and continental groups and associations. To succeed in this, St. John's needs to be promoted as an important North American city with strong transportation and communications links to Canadian, American and Western European cities.

The Commission fears that a real opportunity was lost recently when the federal and provincial governments failed to agree during negotiations to phase out the Newfoundland railway and invest in our other transportation modes. An efficient transportation system for Newfoundland should be a national priority; it would be the best investment that Ottawa could make in provincial development in this part of Canada.

New Initiatives for Regional and Community Development.
Despite all the efforts of the past century to promote industrialization and urbanization, Newfoundland is still predominantly a rural province, with 341,445 people (60.2 per cent of the population) living in communities of less than 5,000 people and 182,912 (32 per cent of the population) living in communities of less than 1,000 people. Newfoundland should learn from the examples of other rural regions of western countries, such as the Shetland Islands and northern Norway, pride itself on its rural life-style and try to build more on the strengths of its towns and villages. Some initiatives along these lines have been taken during the past 15 years with the growth of Rural Development Associations and the provincial Department of Rural, Agricultural and Northern Development (RAND). But this has not yet become a primary focus of government's development policy, as can

be seen in the financial and human resources accorded to RAND, compared to other departments. The Rural Development Associations have shown impressive growth but, by their own admission, their energies have had to go more into sponsoring local make-work projects for short-term jobs than into long-term rural development and employment creation.

The Commission advocates a new thrust for rural and regional development. It proposes the formation of five Regional Development Boards to take the lead in promoting and supporting the long-term development initiatives of the development associations and other local agencies: municipalities, fishermen's committees, private businesses and producers' co-operatives. The Boards would administer Regional Development Funds earmarked for such long-term initiatives and would work closely with the proposed community colleges and the various regional officers representing federal and provincial resource and development departments.

Promoting Small-Scale Enterprise.

At its public hearings, in every part of the province, the Commission was told about local opportunities for small-scale enterprise. Examples included small-scale resource projects in aquaculture, farming, peat and wood chips; small-scale manufacturing of wood and fur products, and small-scale opportunities in tourism and several other service industries. The feeling is widespread, however, that politicians and officials are too preoccupied with large-scale projects to give small-scale initiatives the attention they deserve. Despite several government programmes for assisting small businesses, many Newfoundlanders find it difficult to gain access to these programmes and to deal with all the red tape and time delays that seem to be inherent in programme administration.

It is clear that many of the numerous small business opportunities pointed out to the Commission are potentially viable. Small-scale private and co-operative business enterprises should be encouraged to the full. We believe that the cumulative growth of many small-scale enterprises in all parts of the province offers a real opportunity for long-term employment enhancement. This must become a high priority of government. The present slow-moving bureaucracy must be streamlined; education and research initiatives must be undertaken to teach Newfoundlanders about business and entrepreneurship; alternative forms of enterprise, such as co-operatives, must be encouraged; local investors must be given incentives to invest in Newfoundland enterprise, and regional enterprise centres should be established to provide information and advice to budding entrepreneurs.

A New Income Security System.

The income security system in Newfoundland is inadequate in two ways: it provides inadequate income support for many households and it interferes with economic efficiency and productivity, especially in rural communities.

In Newfoundland, the UI system has come to carry the major burden of income security. Originally intended as an income maintenance scheme for individuals experiencing short interruptions in their employment, it has become much more fundamental to economic adaptations in this province. For seasonal workers, UI now plays a major income supplementation role, providing them with cash income during the off-season. And, for some people, UI is really a disguised form of basic income support. They manage to get 10 weeks' employment, often on a government-sponsored make-work programme, in order to qualify for UI during the rest of the year. People who do not or cannot qualify for UI must apply to the provincial Department of Social Services for 'social assistance'.

As it presently operates, the UI system encourages short-term make-work projects rather than long-term economic development, undermines work initiatives, discriminates against self employment and discourages the formation of sound work habits and attitudes. In its place we need a new income security system which provides every household with a minimum level of support, supplements low incomes in a way that rewards people for working and provides income maintenance between jobs through a modified programme of unemployment insurance. We have outlined one possible model for a new income security system, something that is sorely needed if Newfoundlanders are to escape the dependency trap into which so many have fallen.

Government for Development.

The Commission was told by many Newfoundlanders throughout the province that politicians and government officials are failing to provide the kind of support that is needed if people are to be enterprising and able to generate new employment opportunities. While the Commission has identified an unfortunate dependency upon government by the people of this province (with the result that there is a tendency to blame government for all our troubles), we nevertheless accept that this sense of alienation from government, and dissatisfaction with bureaucratic red tape, is a serious problem. Our own dealings with government, while always cordial and friendly on a personal level, lead us to suspect that the present organization of government is too centralized and unwieldy, with too little co-ordination of the activities of different departments and central agencies. We can appreciate that working within this system tends to undermine the initiative and responsiveness of many officials to their clients' needs. We recognize that the provincial bureaucracy has successfully practised responsible fiscal constraint for many years now and that low salary increases and restricted career opportunities adversely affect morale. But we believe that organizational changes could both improve morale and make the bureaucracy more responsive to the developmental needs of people throughout the province. The Commission was not given a mandate to undertake a thorough review of the workings of government itself, but we recommend that such a review be undertaken. It is important that the regulatory approach of government officials be subordinated to a more developmental approach. The provincial government is itself a great resource that should be geared more to promoting provincial development and employment creation.

The Commission also believes that more attention should be paid to the developmental possibilities of the municipal level of government. Many municipalities in Newfoundland find themselves in constant financial difficulties that undermine their effectiveness. Alternative systems of municipal financing should be considered. In Norway, regional and community councils are funded by income taxes rather than property taxes. Such a system would make sense in Newfoundland where the property base in small communities is weak. Once this problem is solved, new consideration should be given to establishing regional governments in Newfoundland. Such governments play important developmental roles in other provinces and countries and could do so here as well.

This Commission concludes that Newfoundland faces a fundamental choice. It can continue on its present course, which will mean that it will continue to suffer from high unemployment and dependency in the foreseeable future. Or it can embark upon a bold new course directed towards creating a balanced, multi-sectored economy, more self-reliant communities and more productive, better-employed people. Such a new approach will not be easy, because it calls for fundamental changes in institutions, policies and attitudes. Many changes – in education, industrial relations, regional development, small-scale enterprise and government for development – can be effected by the Newfoundland government itself. Other changes – in fisheries policies and administration, transportation and income security – will require the close co-operation of the federal government.

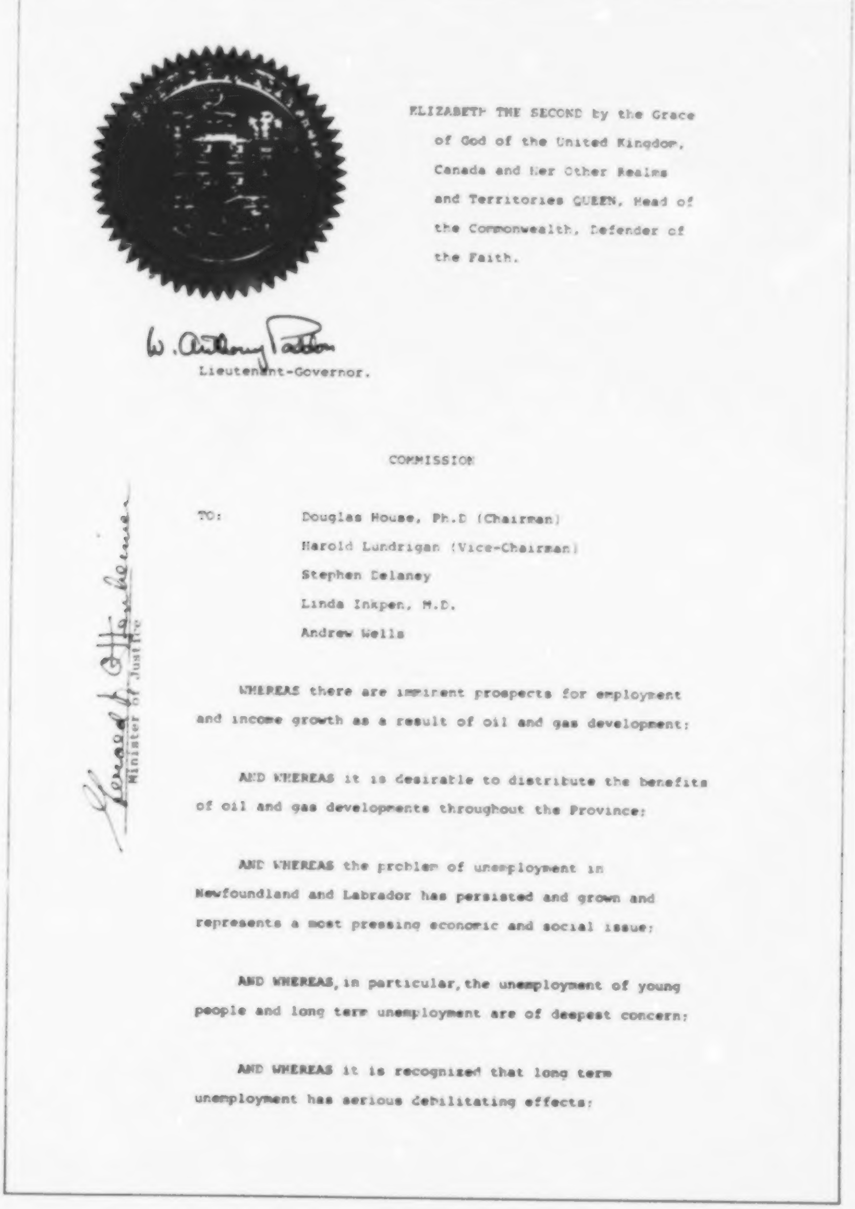
Most important of all, if the new vision of this Commission is to become a reality, we must have the political commitment and the popular will to insist upon, and work hard for, the changes we envisage. In its public hearings throughout the province, the Commission was encouraged by the commitment and determination of the people we met and by the many imaginative ideas presented to us. As testimony to this, the Commission has assembled a selection of these ideas in a separate background report (See Appendix II). Most of all, we were impressed by the sense of pent-up energy that people communicated to us, by the feeling that much can be accomplished by people in Newfoundland if only the right supporting mechanisms can be put in place. We believe we have identified several of these mechanisms.

The Commissioners and staff of this Royal Commission on Employment and Unemployment have sought both to respond to the government's formal terms of reference and to meet the implicit challenge of the people. We offer this Report in the hope that it will contribute towards eradicating the unemployment and dependency that plague our society. Newfoundlanders must pursue with vigour a new vision of the future, building on our strengths so that, together, we may forge a strong economy and society and a new sense of self-reliance.

Appendices

APPENDIX I

Terms of Reference



ELIZABETH THE SECOND by the Grace
of God of the United Kingdom,
Canada and Her Other Realms
and Territories QUEEN, Head of
the Commonwealth, Defender of
the Faith.

W. Anthony Paddon
Lieutenant-Governor.

Gerald R. Ottenheimer
Minister of Justice

COMMISSION

TO: Douglas House, Ph.D (Chairman)
Harold Lundrigan (Vice-Chairman)
Stephen Delaney
Linda Inkpen, M.D.
Andrew Wells

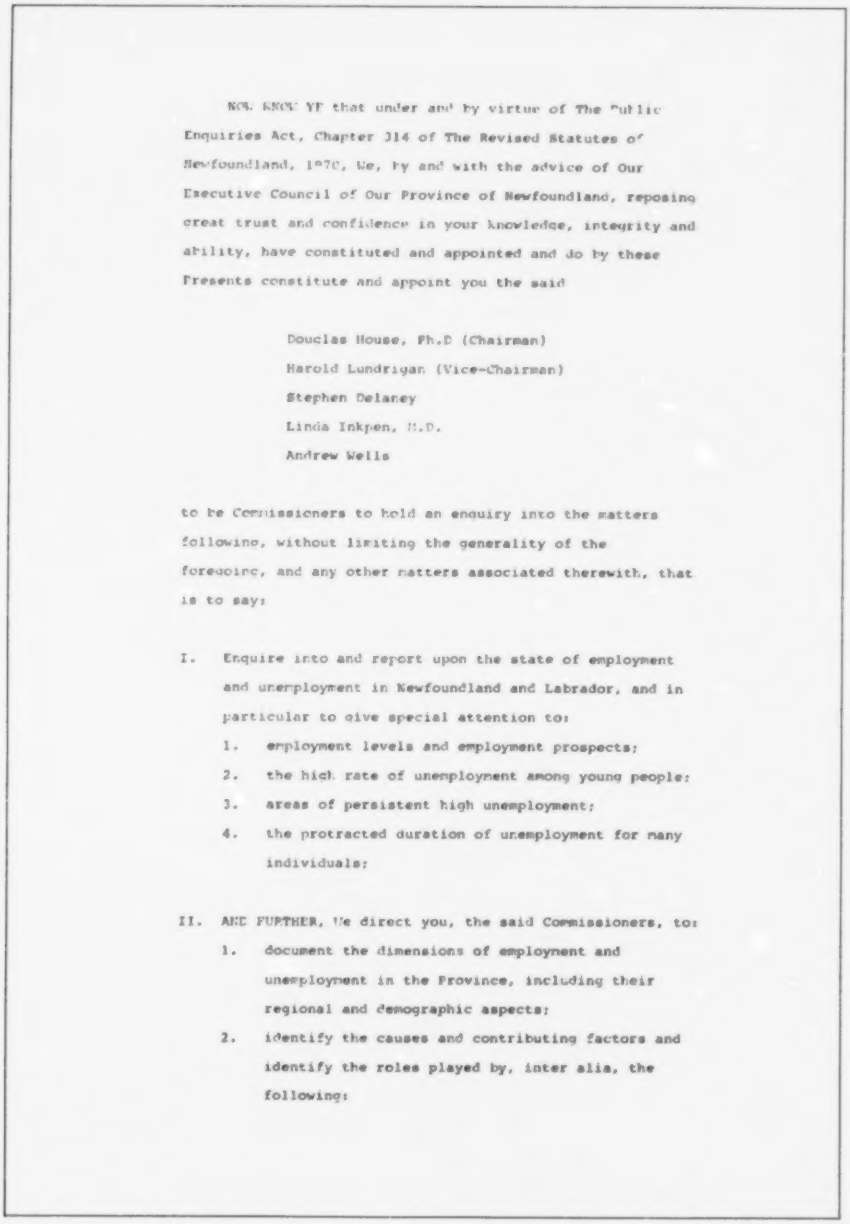
WHEREAS there are imminent prospects for employment and income growth as a result of oil and gas development;

AND WHEREAS it is desirable to distribute the benefits of oil and gas developments throughout the Province;

AND WHEREAS the problem of unemployment in Newfoundland and Labrador has persisted and grown and represents a most pressing economic and social issue;

AND WHEREAS, in particular, the unemployment of young people and long term unemployment are of deepest concern;

AND WHEREAS it is recognized that long term unemployment has serious debilitating effects;



NOW KNOW YE that under and by virtue of The Public Enquiries Act, Chapter 314 of The Revised Statutes of Newfoundland, 1970, We, by and with the advice of Our Executive Council of Our Province of Newfoundland, reposing great trust and confidence in your knowledge, integrity and ability, have constituted and appointed and do by these Presents constitute and appoint you the said

Douglas House, Ph.D (Chairman)
Harold Lundrigan (Vice-Chairman)
Stephen Delaney
Linda Inkpen, M.D.
Andrew Wells

to be Commissioners to hold an enquiry into the matters following, without limiting the generality of the foregoing, and any other matters associated therewith, that is to say:

I. Enquire into and report upon the state of employment and unemployment in Newfoundland and Labrador, and in particular to give special attention to:
   1. employment levels and employment prospects;
   2. the high rate of unemployment among young people;
   3. areas of persistent high unemployment;
   4. the protracted duration of unemployment for many individuals;

II. AND FURTHER, We direct you, the said Commissioners, to:
   1. document the dimensions of employment and unemployment in the Province, including their regional and demographic aspects;
   2. identify the causes and contributing factors and identify the roles played by, inter alia, the following:

(a) economic and industrial adjustments

(b) seasonal and cyclical causes

(c) industrial structure

(d) educational levels and skills

(e) matching of training and employment opportunities

(f) labour mobility and migration

(g) specific regional problems

(h) wage levels

(i) productivity

(j) automation and technological changes

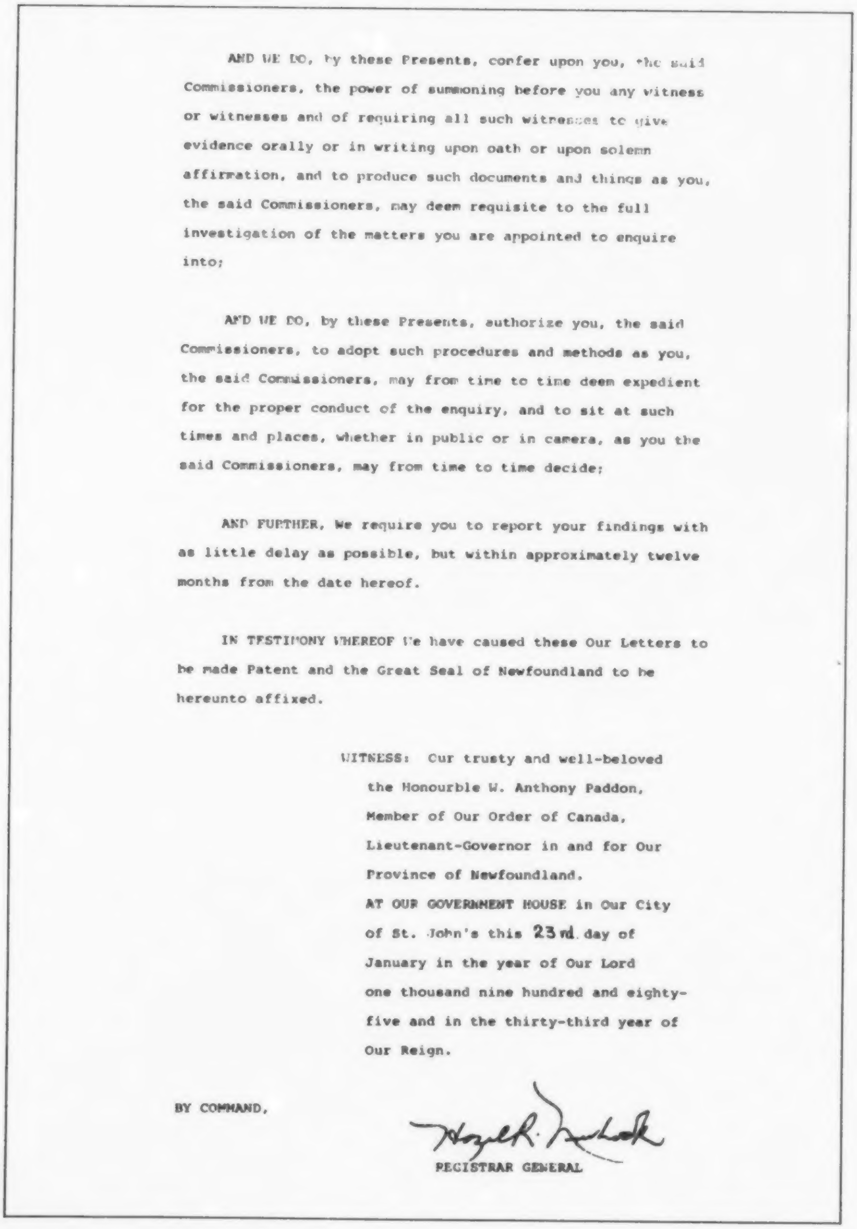
3. investigate the impact of past and current trends in economic and population growth on levels of employment and unemployment;

4. evaluate the adequacy of education and training programs and institutions in meeting the current and future demands of the labour market;

5. assess the impact of Federal and Provincial job creation programs presently available, including the Community Development Program of the Department of Social Services.

6. assess the adequacy of the income support system in mitigating the adverse social and economic effects of unemployment.

III. AND FURTHER, We require you, the Commissioners, to bring forward conclusions and recommendations with respect to measures which may be taken by both the public and private sectors to increase the level of employment, and with respect to policies and programs necessary to ensure reasonable access by all residents of the Province to the benefits of offshore oil and gas development.



AND WE DO, by these Presents, confer upon you, the said Commissioners, the power of summoning before you any witness or witnesses and of requiring all such witnesses to give evidence orally or in writing upon oath or upon solemn affirmation, and to produce such documents and things as you, the said Commissioners, may deem requisite to the full investigation of the matters you are appointed to enquire into;

AND WE DO, by these Presents, authorize you, the said Commissioners, to adopt such procedures and methods as you, the said Commissioners, may from time to time deem expedient for the proper conduct of the enquiry, and to sit at such times and places, whether in public or in camera, as you the said Commissioners, may from time to time decide;

AND FURTHER, We require you to report your findings with as little delay as possible, but within approximately twelve months from the date hereof.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Newfoundland to be hereunto affixed.

WITNESS: Our trusty and well-beloved
the Honourble W. Anthony Paddon,
Member of Our Order of Canada,
Lieutenant-Governor in and for Our
Province of Newfoundland.
AT OUR GOVERNMENT HOUSE in Our City
of St. John's this 23rd day of
January in the year of Our Lord
one thousand nine hundred and eighty-
five and in the thirty-third year of
Our Reign.

BY COMMAND,

Hazel R. Newhook
REGISTRAR GENERAL

APPENDIX II

Background Reports and Materials

Reports by the Royal Commission:

"Building on Our Strengths", Summary Report of the Royal Commission on Employment and Unemployment.

"Education for Self-Reliance: A Report on Education and Training in Newfoundland", Report of the Royal Commission on Employment and Unemployment.

Background Reports to the Royal Commission

M.G. Andrews
"Transportation Issues in the Province of Newfoundland".

Dorothy Anger, Carmelita McGrath and Sandy Pottle
"Women and Work in Newfoundland".

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Carol Brice-Bennett
"Renewable Resource Use and Wage Employment in the Economy of Northern Labrador".

Gary F. Cake
"The Young Newfoundland Conservation Corps: A Program Proposal".

Stratford Canning
"The Institutional and Policy Framework of Rural Development Planning in Scotland and Newfoundland: Historical Experience and Future Directions".

Annette M. Clarke
"Summary - Public Hearing Proceedings - Royal Commission on Employment and Unemployment".

Annette M. Clarke
"Work and Unemployment in St. John's".

Stephen Delaney
"An Overview of Selected Resource Industries".

Richard P. Fuchs
"The Service Sector in Newfoundland".

Alanna Hanrahan and Melinda Montgomery
"Youth Unemployment in Newfoundland".

Maura Hanrahan and David Simms with Alton Hollett and Annette Stuckless
"Statistical Overview of the Newfoundland Fisheries".

Douglas House, Maura Hanrahan and David Simms
"Fisheries Policies and Community Development: Proposal for a Revised Approach to Managing the Inshore Fisheries in Newfoundland".

IDP Consultants Limited
"Newfoundland's Offshore Oil and Gas Industry: An Analysis of the Variables Affecting Present and Future Involvement of Local Business".

Gregory S. Kealey
"The History and Structure of the Newfoundland Labour Movement".

Linda Kealey
"Factors Affecting Women's Labour Force Participation".

Wanda Legge and Robert Thompson
"Community Based Organizations in the Fish Processing Industry in Newfoundland and Labrador".

Wade Locke
"Let's Recycle our Throwaway Communities and Disposable Workers: Policies For Dealing with Mining Communities".

Douglas May and Alton Hollett
"The Causes of Unemployment in Newfoundland".

LeeAnn Montgomery
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Newfoundland Statistics Agency
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Lars Osberg
"Employment and Employment Prospects in the Offshore Petroleum Industry of Newfoundland and Labrador".

Chris Palmer
"Perspectives on the Newfoundland Labour Market".

Chris Palmer
"Sustainable Communities and Self-Reliant People".

Research Associates
"Unemployment Survey: Selected Newfoundland Communities".

David P. Ross
"Report on the Income Security System in Newfoundland".

David Simms
"Rural Development in Newfoundland - A Legitimation Crisis".

Annette Stuckless
"The Tourism Industry in Newfoundland and Labrador".

Mona F. Wall
"Technology: Meeting the Challenge of Change".

Copies of the above reports can be obtained from:
The Office of The Queen's Printer
East Block
Confederation Building
St. John's, Newfoundland
A1C 5T7
Telephone: (709) 576-3649
at a cost of $5 (plus postage and handling) for the Summary Report and $2 (plus postage and handling) for all others. The entire set of reports is priced at $60 (plus postage and handling).

Occasional Papers and Audio/Video Recordings

A number of unpublished internal working papers and review essays of the Commission are available as Occasional Papers in limited quantities and for a nominal charge. Audio and video recordings of aspects of the Commission's work (including a video programme on youth and unemployment) are also being made available for general use. Information on these materials can be obtained from the Office of The Queen's Printer (see address above).

Statistical Information and Data Sets

The data sets collected or compiled by the Commission are readily accessible to researchers and interested individuals. For further information please contact:
Newfoundland Statistics Agency
Third Floor
Confederation Building
St. John's, Newfoundland
A1C 5T7
Telephone: (709) 576-2913

Public Hearing Records and Other Material

The tapes and transcripts of the Commission's formal public hearings and informal meetings, plus other unpublished documents, are accessible for general use at the Newfoundland Archives (Military Road) and/or the Centre for Newfoundland Studies (Memorial University).

The Commission wishes to thank those agencies listed above who have agreed to be contacts in the dissemination of the Commission's material. The Commission hopes that further discussion and research will take place as a result of its work.

APPENDIX III

Briefs Presented to the Royal Commission

Italics indicate verbal presentation only.

Anglican Church Diocese of Eastern Newfoundland and Labrador
Avondale Development Co-operative

Badger's Quay Fishermen's Committee
Baie Verte District Vocational School
Bay Roberts Enterprises
Bay St. George Community College
Bay St. George Development Association
Bay St. George Regional Band (Federation of Newfoundland Indians)
Bell Island Development Association
Bell Island District Vocational School
Bell Island Resource Development Committee
Belvy Aviation
Bonavista District Vocational School
Bonne Bay South Economic Committee
Buchans Community Adjustment Committee
Burgeo-Bay D'Espoir - Member of the House of Assembly (David Gilbert)
Burin District Vocational School
Burin Peninsula Joint Town Council
Boys and Girls Club of Newfoundland (St. John's)

Calvert Fishermen's Committee
Canadian Federation of Independent Businesses
Canadian Mental Health Association
Cape Freels Integrated School Board
Carbonear District Vocational School
Channel-Port aux Basques Chamber of Commerce
City of Corner Brook
City of Corner Brook Economic Development Office
Clarenville District Vocational School
College of Trades and Technology
Combined Councils of Labrador
Community of Cartwright
Community of Cox's Cove
Community of Fermeuse
Community of Makkovik
Community of Parson's Pond
Community of Postville
Community of Rigolet
Community of Rocky Harbour
Community of St. Lunaire-Griquet
Concerned Youth of Bay D'Espoir

Corner Brook Chamber of Commerce
Corner Brook MILAP
Corner Brook Status of Women's Council

Day Care Advocates Association (St. John's)
Deer Lake Chamber of Commerce
Department of Fisheries, Province of Newfoundland

Eagle River Development Association
Earle Brothers Fisheries Ltd. (Carbonear)
East Shore Labrador Development Association
Eastport, Gander Bay–Hamilton Sound, Twillingate-New World Island
  Development Association
Economic Council of Canada

Federation of Newfoundland Indians
Fisheries Association of Newfoundland and Labrador Limited
Fogo Island Development Association
Fogo Island Fish Producer's Co-operative
Fortune Bay/North Shore Development Association

Gander District Vocational School
Gander Youth Employment Counselling Services
Gateway Development Association
Gateway Status of Women
Golden Heights Manor Nursing Home (Bonavista)
Good Samaritan Senior Citizens (Port aux Basques)
Grand Falls Chamber of Commerce
Greater Lamaline Area Development Association
Green Bay Economic Development Association

Happy Valley–Goose Bay Anglican Church
Happy Valley–Goose Bay District Vocational School
Harbour Grace Board of Trade
Harmon Corporation
Human Rights Association (St. John's)

Independent Fish Producers Association, Aquaforte

John Howard Society (Corner Brook)
John Howard Society (St. John's)
John Howard Society (Stephenville)

Labrador East Integrated School Board
Labrador East Regional Youth Advisory Council
Labrador Friendship Centre (Happy Valley-Goose Bay)
Labrador Inuit Association (Nain)
Labrador Inuit Association (Makkovik Field Worker)
Labrador Inuit Association (Nain Field Worker)

Labrador Inuit Association (Nain Health Advisor)
Labrador Inuit Association Drug and Alcohol Program
Labrador Legal Services
Labrador Native Women's Group (North West River)
Labrador North Chamber of Commerce
Labrador Roman Catholic School Board
Labrador Straits Tourist Association
Labrador Venture Capital
Labrador West Chamber of Commerce
Labrador West MILAP Committee
Labrador West Status of Women's Council
Labrador West Tourism Industry Association
Les Terre-Neuviens Français (De Grau)
Lewisporte District Vocational School
Local Service District of Charlottetown, Labrador

Makkovik Fishermen's Committee
MUN Extension Services (Gander Field Worker)

Nain Women's Group
Native Peoples' Support Group of Newfoundland and Labrador
National Sea Products (La Scie)
Nascopie-Montagnais Innu Association/Indian Band Council
New Democratic Party Representative from Ferryland
Newfoundland Association of Architects
Newfoundland Association of Social Workers
Newfoundland Fishermen Food and Allied Workers Union (UFCW Local 1215)
Newfoundland Hospital Association
Newfoundland and Labrador Association of Youth Serving Agencies
Newfoundland and Labrador Consumer Organization of Disabled People
Newfoundland and Labrador Craft Development Association
Newfoundland and Labrador Employer Labour Relations Council
Newfoundland and Labrador Federation of Co-operatives
Newfoundland and Labrador Provincial Advisory Council on the Status of Women
Newfoundland and Labrador Rural Development Council
Newfoundland and Labrador Youth Advisory Council
North Shore, Bay of Islands Development Association
Northern Travel (Main Brook)

Okalakatiget Society (Nain)

Parson's Pond Central Development Association
Parson's Pond Fish Plant
Parson's Pond Youth
Placentia Area Development Association
Placentia District Vocational School
Placentia District Vocational School (Students' Council)
Plum Point High School
Point Leamington High School (Students)

Port au Port Economic Development Association
Port aux Basques District Vocational School
Port de Grave - Member of the House of Assembly (John Efford)
Port Blandford/Winterbrook Development Association
Port Hope Simpson Development Association

Raleigh Fisherman's Committee

St. Alban's Building Supplies
St. Anthony Development Association
St. Anthony District Vocational School (Student Council)
St. Barbe Development Association
St. John's Board of Trade
St. Michael's Youth Ministry (Bell Island)
Sheshashit JRT Students
Southern Avalon Development Association
Southern Labrador Development Association
Southern Shore Development Association
Southwest Arm Development Association
Southwest Coast Development Association
Springdale District Vocational School
Stephenville Industrial Development Committee
Stephenville - Member of the House of Assembly (Kevin Aylward)
Straits Development Association (Plum Point)
Survival I (St. Alban's)

The HUB Physically Handicapped Service Centre
Torngat Fish Producer's Co-operative
Town of Badger's Quay-Valleyfield-Pool's Island
Town of Baie Verte
Town of Bishop's Falls
Town of Bonavista
Town of Burin
Town of Catalina
Town of Channel-Port aux Basques
Town of Dunville
Town of Gander
Town of Glenwood
Town of Grand Falls
Town of Happy Valley-Goose Bay
Town of Hawke's Bay
Town of Jerseyside
Town of Labrador City
Town of La Scie
Town of North West River
Town of Pasadena
Town of Port Saunders
Town of Portugal Cove
Town of Roddickton

Town of St. Anthony
Town of St. Lawrence
Town of Springdale
Town of Stephenville
Town of Trepassey
Town of Wabana
Town of Wabush

Wabana Boy's and Girl's Club
White Bay Central Development Association
White Bay North Development Association
White Bay South Development Association
Women's Institute of Newfoundland and Labrador
Women's Institute of the Labrador Straits Area

Private Citizens' Presentations

Bell Island	Mr. Hickey
Cartwright	*Ralph Trask*
Corner Brook	Leonard Barron
Corner Brook	Dr. Poole
Corner Brook	George Mullett
Corner Brook	*Gunard Thompson*
Corner Brook	*Michele Lavessuer*
Corner Brook	Nelson Bennett
Corner Brook	*Robert Simmons*
Corner Brook	Marvin Layden
Ferryland	Pauline T. Molloy
Gander	Joan Downton
Gander	Jocelyne Mullins
Gander	John McCallum
Gander	Gerald Saunders
Grand Bank	*Mr. Max Snook*
Grand Falls	Andrew Baker
Grand Falls	*Terry Hart*
Happy Valley-Goose Bay	*Hank Shouse*
Happy Valley-Goose Bay	Mr. Joy, Mr. Davis
Happy Valley-Goose Bay	Lloyd J. Billard (written brief only)
Happy Valley-Goose Bay	Regula Schule
Hawke's Bay	Wallace Maynard
Hawke's Bay	Conn Hoddinott
Kippens	Mary Diffinars (written brief only)
Placentia	*Joan Whalen*
Placentia	*Mike Bruce*
Raleigh	*Lloyd Taylor*
Rocky Harbour	*Reg Williams*
Rocky Harbour	*Doreen Sparkes*
Rocky Harbour	*B. Shears*
Rocky Harbour	*Raymond Shears*

St. Alban's	Rosalind Cross
St. Anthony	Stan Elliot
St. Anthony	Bernard Bromley
St. John's	*Walter Davis*
St. John's	*Sandy Pottle*
St. John's	Geoffrey Freeman, P. Eng.
Ship Cove	*Iris Decker*
Stephenville	Neil Tilley

The Commission held informal discussion sessions with residents of the following six communities via teleconference link organized by the Telemedicine Centre at the Health Sciences Complex in St. John's:

- Black Tickle
- Charlottetown
- Hopedale
- Mary's Harbour
- Postville
- St. Lewis

APPENDIX IV

Three Economic Models

This Appendix is based upon two reports to the Royal Commission on Employment and Unemployment: Sherry May, "An Economic Model of Household Production"; and NORDCO, "A Sensitivity Analysis of Two Models of Household Behavior."

1. Introduction

The following excerpt comes from the Royal Commission report, "The Causes of Unemployment", May and Hollett, 1986:

> In the more rural settings of Newfoundland, there exists an economic triad. The triad is composed of unemployment insurance benefits, commercial market activities and home production. The labour skills needed in order to carry out the commercial activities are often similar to those needed in the informal economy. It is the interrelationship between these three components that permits the existence of economic life in the smaller community above some very low income level. It might be the case that it would not be possible to carry on if one of the components were missing. What Newfoundlanders appear to have done is to adapt to the limited employment opportunities by weaving a sophisticated and complex structure which takes maximum advantage of the natural resources and government grants and transfers available to them. They represent the true optimizer in traditional economic theory; Newfoundlanders do a lot with a little.

The speculation in the excerpt is that the impact of a reduced cash flow to a household in a Newfoundland outport community may go far beyond what would be expected using traditional economic models of employment behaviour. In general, the observed response to a reduction in cash flow is a transfer of leisure time into home production time. The overall effect is a somewhat reduced level of well-being, albeit better than it would be without household production, because leisure time has been sacrificed in an attempt to maintain other levels of consumption. As cash flow is repeatedly reduced, similar reductions in well-being should be observed until some critical level of cash flow is reached. At that point, the speculation is that it is no longer of any use to the individual to transfer leisure into home production, because cash has been reduced to a level which does not permit the purchase of the necessary direct materials that are also required as input to home production. The net result should be a much larger reduction in well-being. That is, even though the reduction in cash flow has been the same, the corresponding reduction in well-being will be much larger.

The contention in the excerpt, that Newfoundlanders are engaging in optimal economic behaviour, cannot be substantiated using existing economic models. This Appendix contains a description of three models that were developed in an attempt to describe this behaviour. It also contains the results of simulations which were conducted using these models. The first analysis compares the relative well-being of a householder with and without household production. The second investigates the potential impact of changes in unemployment insurance regulations on a household that can engage in household production. The third investigates the potential impact of changes in unemployment insurance regulations on a small community.

The next section of this Appendix contains a description of three economic models: a householder model without household production, a householder model with household production and a community model. The third section contains a brief discussion of the methodology which was used to find the optimal values for the two householder models. Section 4 details the results of the simulations and Section 5 presents a summary of conclusions.

2. Three Economic Models

The inadequacy of existing economic models in accounting for Newfoundland behaviour stems in part from the underlying assumptions of those models. The assumptions in traditional models that would annihilate the crucial effect on optimal economic behaviour are that trading in all goods and services occurs simultaneously and that household production requires only labour as an input. The exact effect of each assumption must be analyzed separately.

In an economy where all trading can occur simultaneously, there is no need for cash. Individuals can trade labour services directly for various consumption goods. The existence of cash in such an economy, in the form of transfer payments, for example, has the same impact as increasing the labour services available for trade.

In reality, the impact of cash is much more subtle. In the first instance, individuals must allocate their time amongst three activities: leisure, labour in the market place and labour for household production. Leisure contributes directly to the individual's well-being, labour in the market place provides cash for purchasing goods in the market place and labour for household production, in combination with direct materials, provides consumption goods and a potential additional cash income from sales in the market place. Secondly, the cash derived from employment plus transfer payments must be used to purchase consumption goods and direct materials for household production. There is a potentially delicate balance here. Suppose the household is just managing to meet its requirements using limited employment in combination with transfer payments. Now suppose those transfer payments are reduced or eliminated. These circumstances may substantially reduce the opportunities for household production because there is not enough cash available to purchase the required direct materials. Thus, there is a dual effect on well-being: reduced well-being because of reduced consumption and reduced well-being because of reduced household production.

It should be noted that none of the arguments presented in the previous paragraph can be demonstrated in a model which does not include direct materials as an input to production. Thus, the assumption that direct materials are not required will also annihilate the effect. The conclusion is that there is a requirement for an economic model of household behaviour which includes household production, that household production has inputs of labour and materials, and that goods can only be purchased with cash.

Another major concern was to develop a model which would permit comparison between levels of well-being of similar households in different economic environments. For instance, given the same employment opportunities, the same market prices for labour and consumer goods, and the same specification for determination of the level of well-being, which is better off: the household for which there is an opportunity to engage in household production, or the household for which there is no such opportunity? Are there some economic conditions for which one is better off and other economic conditions for which the other is better off? To perform this kind of comparative well-being analysis, some quantitative measure of well-being is required. Then, different economic environments must be simulated and a numerical value for well-being calculated for each. What is required in order to perform this kind of comparative well-being analysis is, first of all, some quantitative measure of well-being. Then, it must be possible to simulate different economic environments and, for each, calculate a numerical value for well-being.

In order to allow comparisons to be made, two distinct economic models must be considered. The first is similar in most respects to traditional economic models of household behaviour, with the exception that households are required to pay money for consumed goods and services. The first model does not allow households to engage in production.

The second model allows households to engage in production, and requires cash payment for goods and services obtained in the market place. Some of these goods and services are consumed and others serve as inputs to household production. The outputs of production can be consumed by the household or sold in the market place at the market price.

Detailed descriptions of both models are contained in this section, although it contains very little mathematics. The intention is to clarify the relationship of the various components of the mathematical models to the economic interpretation. More detailed mathematics can be found in two background technical reports, NORDCO (1986) and S. May (1986).

2.1 A Model with no Household Production

For simplicity, we will assume that the household is represented by one individual. The householder's economic choices include consumption of two types of non-durable goods and services designated by the symbols *a* and *b*. The householder also chooses to allocate his/her time between two activities, work and leisure. Leisure time contributes directly to well-being. Work does not contribute directly to well-being, but does provide the individual with a cash income which is necessary to purchase goods *a* and *b*. In addition it is assumed that having money contributes directly to the householder's well-being.

The measure of well-being in the model will be utility, as represented in consumer demand theory. In consumer demand theory, an individual's preferences for bundles of consumer goods are assumed to satisfy certain rather straightforward axioms. If all the required axioms are satisfied, then it can be shown mathematically that the individual's preferences can be accurately modelled by a *utility function*. This utility function assigns to each bundle of commodities a numerical value which simply ranks the bundles in order of preference. Thus a higher value of the utility function represents a preferred state of affairs. It is in this context that the utility function will be taken as a measure of well-being; if utility is higher, then the individual will be in a preferred condition and so will be enjoying an increased level of well-being.

The consumer's economic choices are governed in part by the desire to maximize his/her utility. Thus the mathematical problem is described as a maximization problem, where the function to be maximized is the consumer's utility function.

The consumer's economic choices are also governed by certain *constraints*. Typically, there is a wealth constraint; that is, the consumer cannot obtain goods beyond his/her means. In this model, the wealth constraints are replaced by a constraint requiring that cash be exchanged for goods purchased.

The householder has three sources of available cash in any trading period. Firstly, s/he may be in receipt of some form of transfer payments which will be denoted by the expression *transf*. Secondly, s/he may seek employment in the market place at a fixed wage rate, *wg*. In addition, the householder may have some savings. Let the symbol *savs* represent savings, and suppose that s/he offers *wk* hours of employment. Then the total amount of cash available to the householder in any trading period will be given by the expression:

$$savs + transf + wg \times wk$$

Now we are in a position to specify the householder's liquidity constraint. If the prices of goods a and b are denoted by p_a and p_b respectively, and if the quantities of goods a and b desired by the householder are denoted by a and b respectively, then we have the following funds constraint:

$$p_a \times a + p_b \times b \leq savs + transf + wg \times wk$$

It was mentioned earlier that the householder chooses to allocate time between leisure and employment. This introduces another constraint to the individual's optimization problem – a *total time available* constraint. Let l denote the desired leisure time. Then, if the total time available to him/her is given by T, the following constraint results:

$$l + wk = T$$

Lastly, money is assumed to be a durable good; that is, what is left over in one trading period can be carried forward for trading in the next period. (This is not true of goods a and b.) This means there must be an equation which specifies how final money holdings are to be calculated. It will take the form:

$$savso = savs + transf + wg \times wk - p_a \times a - p_b \times b$$

If it is desirable to consider the impact of special economic circumstances on an individual's behaviour, then this can often be accomplished simply by introducing additional constraints in the model. For example, if one wants to investigate the impact of limited employment opportunities, then one can add the following constraint:

$$wk \leq avalwk$$

where *avalwk* represents the maximum employment opportunities available to the householder.

It is assumed that the householder wants to maximize well-being as represented by a utility function, U. For simplicity, it is assumed that the utility function takes the form:

$$U = c_a \ln(a) + c_b \ln(b) + c_l \ln(l) + c_s \ln(savso)$$

where c_a, c_b, c_l, and c_s are constants that reflect the householder's preferences.

All the necessary components for the model have now been described. The exact mathematical specification can be summarized as follows:

$$Maximize\ c_a \ln(a) + c_b \ln(b) + c_l \ln(l) + c_s \ln(savso)$$

where

$$wk + l = T$$

$$savso = savs + transf + wk \times wg - p_a \times a - p_b \times b$$

$$0 \leq wk \leq avalwk$$

$$0 \leq a, b, savso$$

2.2 A Model with Household Production

Once again, we will assume that the household is represented by an individual. The householder's economic choices still include consumption of two types of non-durable goods and services designated by the symbols *a* and *b*. However, the householder now chooses to allocate time amongst three activities: employment, leisure and household production. Leisure time contributes directly to his/her well-being. Work does not contribute directly to well-being, but does provide the individual with a cash income. Household production provides consumer good *b* and may provide additional cash income if the individual produces in excess of what s/he consumes. As before, it is assumed that having money contributes directly to the householder's well-being.

The measure of well-being in this model will be identical to the measure of well-being in the previous model. In fact, in order to facilitate comparisons, the same utility function will be used in both models.

The consumer's economic choices are governed by the desire to maximize well-being (utility) and by various constraints. Some of the constraints are similar to those in the previous model, but there are additional constraints in this model. There are additional opportunities available to the household as well. All of these new considerations must be incorporated in the model.

In the first place, household production is governed by two inputs: labour and direct materials. We will assume that the householder is capable of producing good *b* at home, where the quality of home production matches the quality of good *b* in the market place. The householder provides labour for home production by allocating some amount of the total time available to household production. If *hwk* represents time allocated to household production, then the householder's *total time available* constraint takes the form:

$$hwk + l + wk = T$$

Household production also requires direct materials as an input. Let *d* designate direct materials. The householder must purchase in the market place the required direct materials to match his/her labour input. This requires cash. Furthermore, consumption of good *d* does not contribute directly to an individual's well-being; good *d* does not appear in the utility function. Obtaining good *d* contributes indirectly to the householder's well-being, in so far as good *b* is produced and is available for consumption at no additional cost to him/her. Also, producing good *b* at home may further enhance well-being, if s/he can produce enough of good *b* to sell in the market place. This would increase the savings available to the individual for making purchases in the market place in the next trading period.

The constraints for this model must incorporate all of these effects. Firstly, cash will be reduced by an amount equal to the cost of purchases of good d. Secondly, the amount of good b desired by the householder may have two components: good b purchased in the market place, designated m_b and good b produced at home, designated h_b. Thus we get the following analogy to the funds constraint in the previous model:

$$p_a \times a + p_b \times m_b + p_d \times d \leq savs + transf + wk \times wg$$

where p_d represents the price of good d. Thirdly, final money holdings will be increased by an amount equal to the value of good b produced at home in excess of what the householder consumes. This means final money holdings will be given by:

$$savso = savs + transf + wg \times wk - p_a \times a - p_d \times d + p_b \times (h_b - b)$$

Note that if the householder is a purchaser of good b in the market place, then $h_b < b$ and the presence of the last term in the preceding equation will reduce final money holdings. However, if the householder is a seller of good b in the market place, then $h_b > b$ and the presence of the last term will increase final money holdings.

Finally, the home production function for good b must be specified. The exact requirements of labour and good d for the production of good b must be known. In this model, it is assumed that the production of good b is governed by a Cobb-Douglas production function of the form:

$$h_b = cp\ hwk^r\, d^{1-r}$$

where cp and r are constants.

All the necessary additional constraints have now been described for the model. The exact mathematical specification can be summarized as follows:

$$Maximize \quad c_a \ln (a) + c_b \ln (b) + c_l \ln (l) + c_s \ln (savso)$$

where

$$hwk + l + wk = T$$

$$p_a \times a + p_d \times d + p_b \times m_b \leq savs + transf + wg \times wk$$

$$b \leq m_b + cp\ hwk^r\, d^{1-r}$$

$$savso = savs + transf + wg \times wk - p_a \times a - p_d \times d + p_b \times [cp\ hwk^r\, d^{1-r} - b]$$

$$0 \leq wk \leq avalwk$$

$$0 \leq a,\ b,\ d,\ savso$$

2.3 The Community Model

This model was developed to account for observed behaviour which could not be predicted using either of the householder models. In particular, it was established that the benefits associated with home production cannot account for the refusal of work. Thus, it would seem that to account for refusal of work, some other mechanism must be proposed.

The solution was the formulation of another optimality principle which could explain the behaviour. This principle employs solid economic realities and arises from changing the focus of optimization from that of the individual level to that of the community level. Most succinctly stated, it requires **that available work be distributed throughout a community in such a way that the total income to the community is maximized.**

To study the effects of this optimality principle, a model of a community was created in which available work was distributed so as to maximize total community income. It was assumed that the community consisted of twenty-five households. This is a small number, but for the principle to operate it is likely that the numbers would have to be small. It was further assumed that each household contained two possible wage earners and two children, the latter to agree with assumptions of the preceding models. In addition, it was assumed that there was a single source of work available to the community, that this source of work was of a seasonal nature and the employment was offered to the community in units of twenty weeks. Lastly, it was assumed that there was enough flexibility in scheduling that available work could be split up in any way that the community deemed desirable. The optimization problem was that of finding the distribution of available work which would maximize the total cash flow into the community.

The objective function to be maximized is total community income, *TC*, given by

$$TC = \sum_{i=1}^{n} h_i$$

where h_i is the annual income of the i^{th} household. Evidently, h_i has two components:

(1) transfer payments not associated with Unemployment Insurance - like family allowances - denoted $trans_i$; and

(2) an annual income contribution from each wage earner in the household, denoted $w_{i,j}$.

The annual income contribution $w_{i,j}$ will take the following form:

$$w_{i,j} = employment\ income + UI\ payments$$

If $awk_{i,j}$ is the work available to this worker (in weeks) and wg is the weekly wage rate, then

$$employment\ income = wg \times awk_{i,j}$$

If the work available to this worker exceeds the length to qualify for UI, then

$$UI\ payments = .6 \times avewg_{i,j} \times (50 - awk_{i,j})$$

where $avewg_{i,j}$ is the average weekly wage obtained by this worker. (We assume a two-week waiting period for UI.) If the work available to this worker does not exceed the length to qualify for UI, then *UI payments* = 0.

From the above, it is easily seen that the total community income is determined by the various values, $awk_{i,j}$. Thus, the problem is to find that distribution of available work which maximizes total community income.

The model is actually simple enough that an analytic solution can be given. The argument leading to this solution runs as follows. Since the problem is to maximize total community income, the distribution of labour among the individual community members is irrelevant to the total wage income earned, so long as no work is refused. Having noticed this, suppose now that not all workers qualify for UI. In addition, let us say that a particular worker has surplus work; that is,

$$awk_{i,j} > \textit{length to qualify for UI}$$

If we shift work from a worker with surplus work to one who previously did not qualify for UI, without increasing the number of workers who do not qualify, then the total community income cannot decrease. Moreover, if in this process the number of workers who do not qualify for UI decreases, then the total community income must rise by the value of that individual's UI payments. Thus, total income is maximized by maximizing the number of workers who qualify for UI. Any distribution of available work which minimizes the number of workers who do not qualify for UI will therefore yield a maximum total community income.

3. Methodology Employed to find Optimal Values of the Householder Models

The optimization problem describing a household without household production yields a system of two linear equations in the two unknowns, a and b. The absolute optimum, which involves the three variables a, b and wk is found by searching along the wk axis within the feasible region. Since the solution scheme reduces to a linear system in two unknowns, the solution scheme is computationally fast, even though a search along the wk axis may be required. Since in practice $wk = avalwk$ the solution scheme is almost instantaneous.

Several methods for finding the optimum of the model with household production were explored. A methodology similar to that applied to the model without home production yielded a system of non-linear equations which proved computationally difficult to handle. For this reason, two methods which employed versions of a gradient algorithm were employed. (An indepth discussion of the methods used can be found in Wismer and Chattergy, 1978.) While alternate algorithms were considered, they were hampered by the fact that the surface associated with the objective function in the region of interest was very flat. Thus, small changes in the objective function required rather large changes in the feasible solution.

A brief description of both gradient methods can be found in NORDCO (1986). In general, the differences between the optimums for the two methods were less than one per cent. However, one method required in the order of 100 times as many iterations to achieve an optimum. Since good approximate optimums could be found in a more computationally effective way using the other algorithm, the main generation of well-being curves was accomplished by using this algorithm.

4. Results of the Simulations

For the householder models, the following values for the parameters were used:

Description	Value of Constant
p_a	20.26 ($)
p_b	93.75 ($)
p_d	62.50 ($)
wg	7.45 ($)
c_a	8
c_b	6
c_l	1
c_s	2
cp	1
r	.24
T	105

A thorough discussion of why these values were chosen is contained in NORDCO (1986).

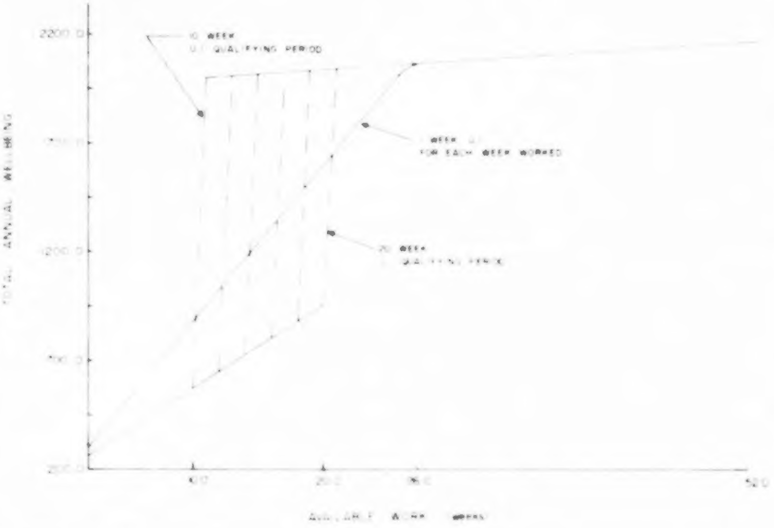
The main sensitivity tests conducted with the models were aimed at looking at the relationship between available work, on an annual basis, and total annual well-being. These calculations were repeated for various scenarios related to the rules governing the qualification for UI. In all cases, if there was no available work and the householder had met the qualification rule so as to be eligible for UI, then the model supplied the householder with a transfer payment which amounted to 60 per cent of the average weekly wage received by the householder during the qualification period. Two distinct types of UI schemes were examined.

The first type of scenario involved a simple qualifying period of a fixed number of weeks. If the householder had accumulated the required number of weeks work, then s/he received UI payments for that portion of the year in which s/he was not working (minus a two-week waiting period). The qualifying periods ranged from 10 weeks to 20 weeks in length.

The second type of scenario specified that the householder was entitled to one week of UI for each week of work. No waiting period was involved.

For all the scenarios mentioned, a total annual well-being was calculated as a function of weeks of available work. In Figure 1, curves of total annual well-being versus weeks of available work are presented for all UI scenarios. The model in which home production was available was used to construct the curves. Each of the curves for the scenarios involving a qualifying period is discontinuous, i.e. has a jump. (The discontinuity is indicated by the vertical dashed lines.) The jump occurs at the point at which the number of weeks of available work exactly matches the number required to qualify for UI. In all cases, the jump is from a low level of annual well-being to an annual well-being of more than 2,000. While the rise in well-being at the lower end of the scale is faster than after the jump, it is important to note that each additional week of available work makes a positive contribution to the total annual well-being. Thus, even in the presence of available UI, the individual will accept all available work in order to maximize his/her total well-being. Also presented is the curve for the second type of UI scenario. This curve is continuous; however, it shows a

Figure 1 Model With Home Production

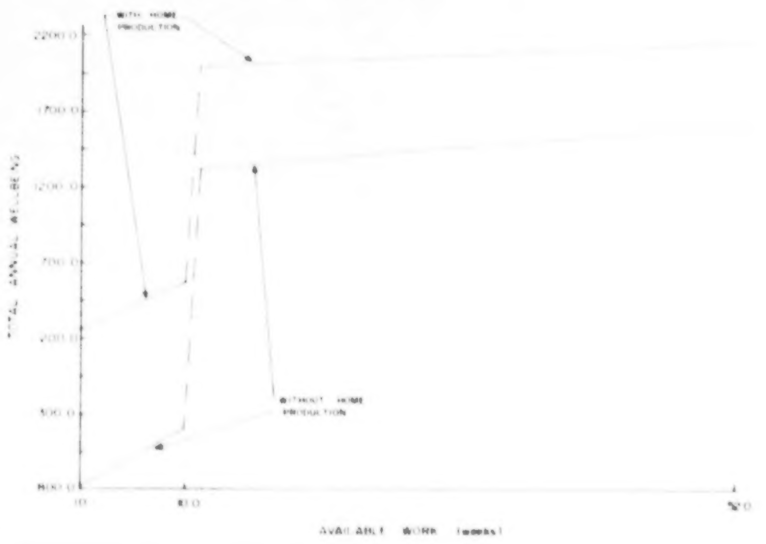


sharp change in its slope (rate of increase) at 26 weeks of available work. This is due to the fact that at 26 weeks of available work, the individual has accumulated enough work to qualify for UI for the remainder of the year.

In Figure 2 the graphs for both householder models which relate to the ten-week qualifying scenario are presented. Displaying analogous curves for both models on the same axis enables a direct comparison of the two models. Aside from the shift to generally higher values, the slope of the graph associated with the model permitting home production is marginally smaller than that associated with the model without home production (compare the upper ends of the two graphs in Figure 2). Evidently this is due to the mediating effect of home production which partially makes up for lack of work in the market place. However, as can be seen from the large discontinuity in the upper curve, home production can in no way replace work in the market place or the beneficial effects of UI.

The most important single fact revealed by both models is that optimal well-being was achieved by the householder performing all available work. The basic reason for this is that even after subtracting 40 from the possible 105 hours of leisure, there is still a large pool of leisure. Since the coefficient on leisure in the objective function is small, an increase in well-being can always be achieved by trading leisure for money which can be used to acquire other commodities which make a greater contribution to well-being. On reflection, in a situation where the only source of money is through work, this is not a terribly surprising result. However, it is one of essential importance, which will be returned to later.

Figure 2 Ten Week U.I. Qualifying Period



In summary the conclusions which can be drawn from the studies above are:

(1) the key limiting factor on well-being is the availability of work;

(2) where work in the market place is limited, longer UI qualifying periods, or other scenarios, can have a serious negative impact on the annual well-being of householders;

(3) the benefits derived from income associated with the production of commodities in the home cannot substitute for income from work in the market place supplemented by UI;

(4) the well-being of an individual householder is maximized by accepting all work available in the market place.

The last conclusion drawn from the model, to the effect that the householder accepts all available work, was interesting in that it appeared to be at variance with at least some observed behavior: individuals on occasion do refuse work. For this reason, it was decided to investigate whether this effect could be accounted for with one of the models by changing the coefficient on leisure, c_l. If this coefficient, which appears in the objective function, is increased, it places a greater emphasis on the contribution of leisure to well-being. It seemed plausible that a small change might result in the refusal of work and this hypothesis was therefore investigated.

In Figure 3, we present a graph of hours of refused work, versus the coefficient on leisure. In making these computations, the model without home production was used and a total of 40 hours of work was offered. It can be seen that no work is refused until the coefficient on leisure reaches a value of about 25. This is more than three times the value of the coefficient on food/clothing and some four times the value of

Figure 3 Model Without Home Production

the coefficient on shelter. Indeed, when the coefficient is 26, only one hour of work is refused. For as much as 25 per cent of the available work to be refused, the coefficient on leisure must be some five times as large as the coefficient on food/shelter. It seems clear that assigning such a value to the coefficient on leisure would be an arguable distortion of reality to an extent where the model could hardly be called credible. This leads to an additional conclusion:

(5) the refusal of work is not related to the relative preferences of an individual householder between food/clothing, shelter, savings and leisure.

Now, recall that the optimal solution at the community level requires that in certain situations work must be refused by the individual so that the total income of the community can be increased. Thus, the situations where the refusal of work occurs are easily described.

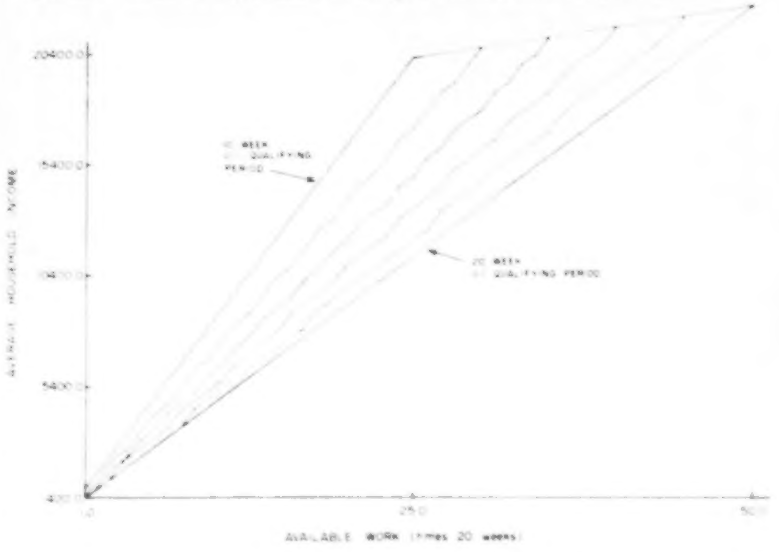
(1) There is an obvious requirement that work must be a scarce commodity. If there is unlimited work, as the previous models tell us, and as is consistent with experience, that work will be taken.
(2) There must be an existing UI scheme with a qualifying period.
(3) There must exist individuals with more than enough work to qualify for UI who can pass surplus work to individuals with less than enough work to qualify for UI.

Evidently, the first two of these conditions are satisfied in outport communities throughout Newfoundland. It is arguable that the third condition is satisfied in at least some instances.

There are two prime predictions of the model.

(1) All available work will be consumed by the community.
(2) Work will be shared to maximize benefit to the community.

Figure 4 Community Model: Average Income; Available Work

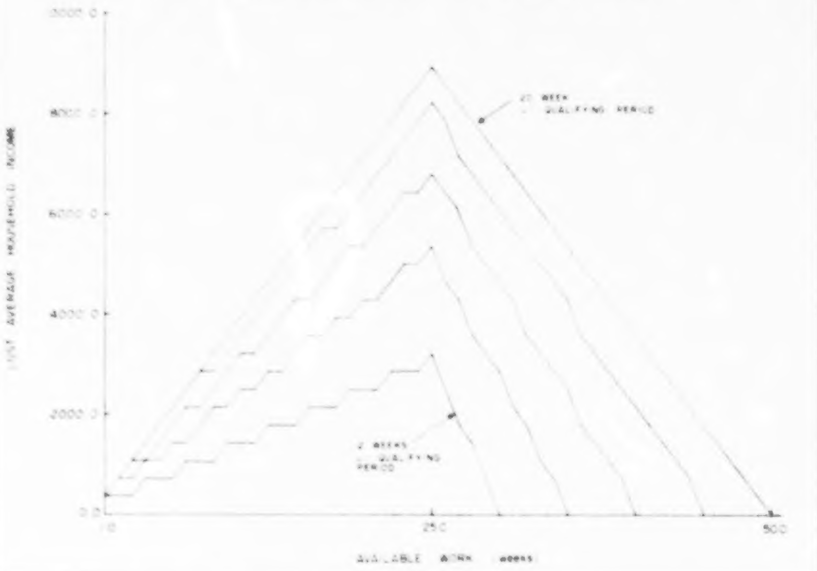


Both of the conclusions are easily checked. So far as we can tell, based on the very limited data to which we have access, no work is going begging in outport communities. Moreover there have been suggestions, based on our contacts with Commission members, that there is hard evidence of work sharing. Thus, the community model appears to have captured certain realities that were inaccessible in either householder model.

In Figure 4, curves depicting average household income versus available work are presented. Recall that in the model there are 25 households with two wage earners each. If a total of 500 weeks of work is available to the community, and the qualifying period is 10 weeks, then it is possible for each wage earner to qualify. Since available work is parcelled out in units of 20 weeks, 25 units are required for all wage earners to qualify. When there are less than 25 units of available work, each additional unit permits two additional wage earners to not only get 10 weeks of work, but to also collect UI for the remaining 40 weeks of the year (for a ten-week qualifying period). This accounts for the rapid rise of the ten-week scenario curve up to the point where 25 units of work are available, and the slower rise thereafter, when weeks of UI are being replaced by weeks of actual work.

The bottom-most curve in Figure 4 is associated with a UI qualifying period of 20 weeks. Evidently, the seasonal work restriction inherent in the model - work is only available during one twenty week period each year - together with the long qualifying period which matches the work restriction, prevents any benefit arising from work sharing. Indeed, any attempt to share work in this situation would have a negative impact on the community. It is also the case that the curve for the twenty-week UI scenario coincides with the curve associated with the minimum benefit which must accrue to the community if all available work is accepted. This latter curve is

Figure 5 Community Model: Lost Income; Available Work



the curve which would result if each individual who managed to acquire available work maximized his/her own individual benefit by accepting all 20 weeks. Note that this curve would also apply to the second type of UI scenario; that is, such a scenario would completely obviate any beneficial effects which could be achieved by work sharing. Curves for 12, 14, 16 and 18 week qualifying periods lie in between the two extremes.

It is evident that there is a benefit from work sharing. It also appears that the increased length of the UI qualifying period has a negative impact on this benefit. Figure 5 attempts to quantify this negative impact by presenting curves of lost income versus available work. Specifically, each curve represents the loss in average annual household income which would result from adopting a longer UI qualifying period, as opposed to the ten-week period which is presently in effect. Evidently maximum loss occurs when there are exactly 25 units of work available. Even the addition of a mere two weeks to the qualifying period results in a loss of $3,000/household or more than $75,000 to the community over the course of a year. By the time the twenty-week scenario is reached, the loss is a bit over $9,000/household or more than $225,000 to the community. Evidently, this is a dramatic statement about the benefits which accrue from work sharing in a situation of limited available work and a UI qualifying period.

5. Summary of Conclusions

The main conclusions of this Appendix are as follows:

1. The key fact affecting the annual well-being of an individual householder is limitations on the availability of work.

2. Where work is not generally available, and indeed is in genuine shortage, the availability of unemployment insurance is the most significant factor in the total annual well-being of the householder.

3. Where work is available, even in the presence of unemployment insurance, in order to maximize well-being the individual householder will accept all available work.

4. Any observed refusal of work cannot be accounted for by models of individual householder behaviour which maximize individual well-being.

5. Where there are limitations on available work and an unemployment insurance qualifying period exists, there can be a large benefit to a community by sharing work.

6. Certain types of unemployment insurance rule changes would substantially reduce, or completely obviate, any benefit which can be gained by work sharing.

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Douglas May and Alton Hollett, "The Causes of Unemployment in Newfoundland", Background Report to the Royal Commission on Employment and Unemployment, 1986.

Wismer, David A. and R. Chattergy *Introduction to Nonlinear Optimization: A Problem Solving Approach*, (New York: Elsevier North Holland, Inc.), 1978.

APPENDIX V

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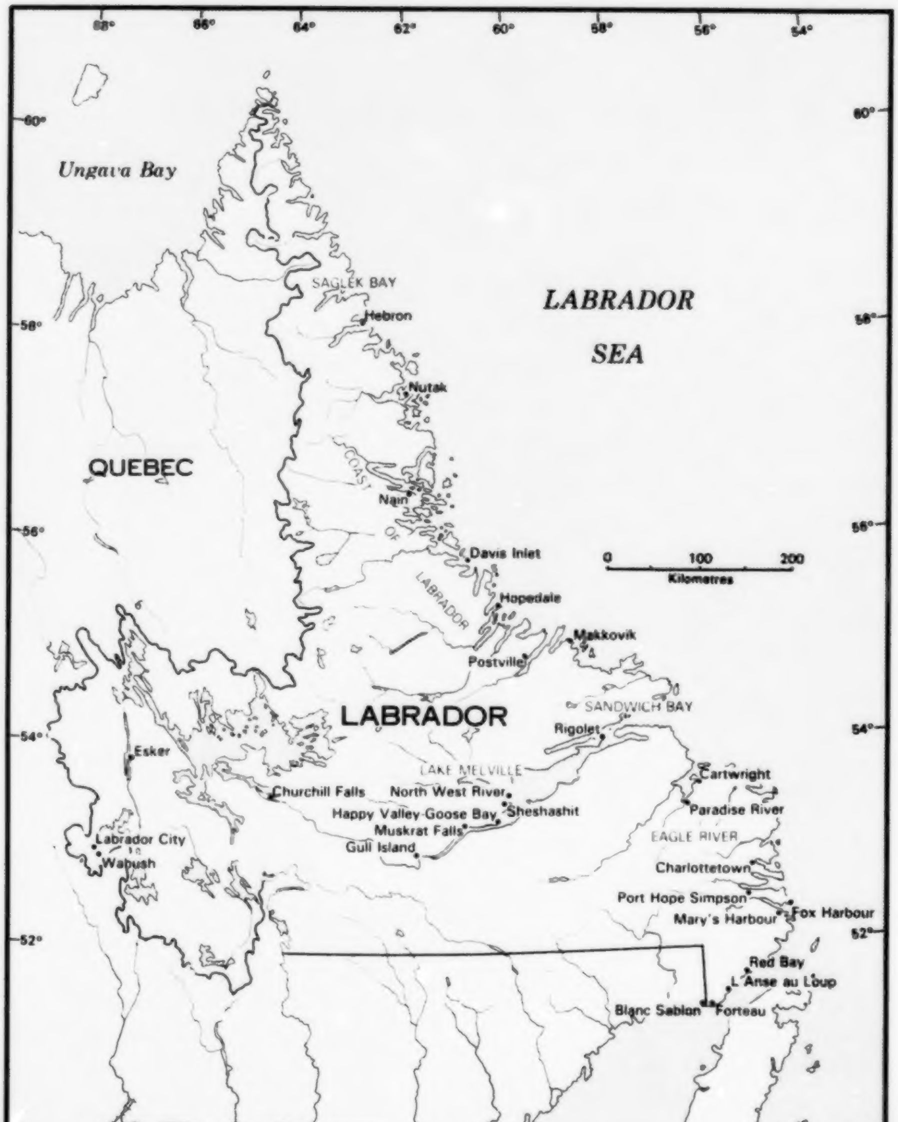
APPENDIX VI

Map of Newfoundland and Labrador


68°
66°
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Ungava Bay
SAGLEK BAY
Hebron
LABRADOR SEA
Nutak
QUEBEC
COAST OF LABRADOR
Nain
Davis Inlet
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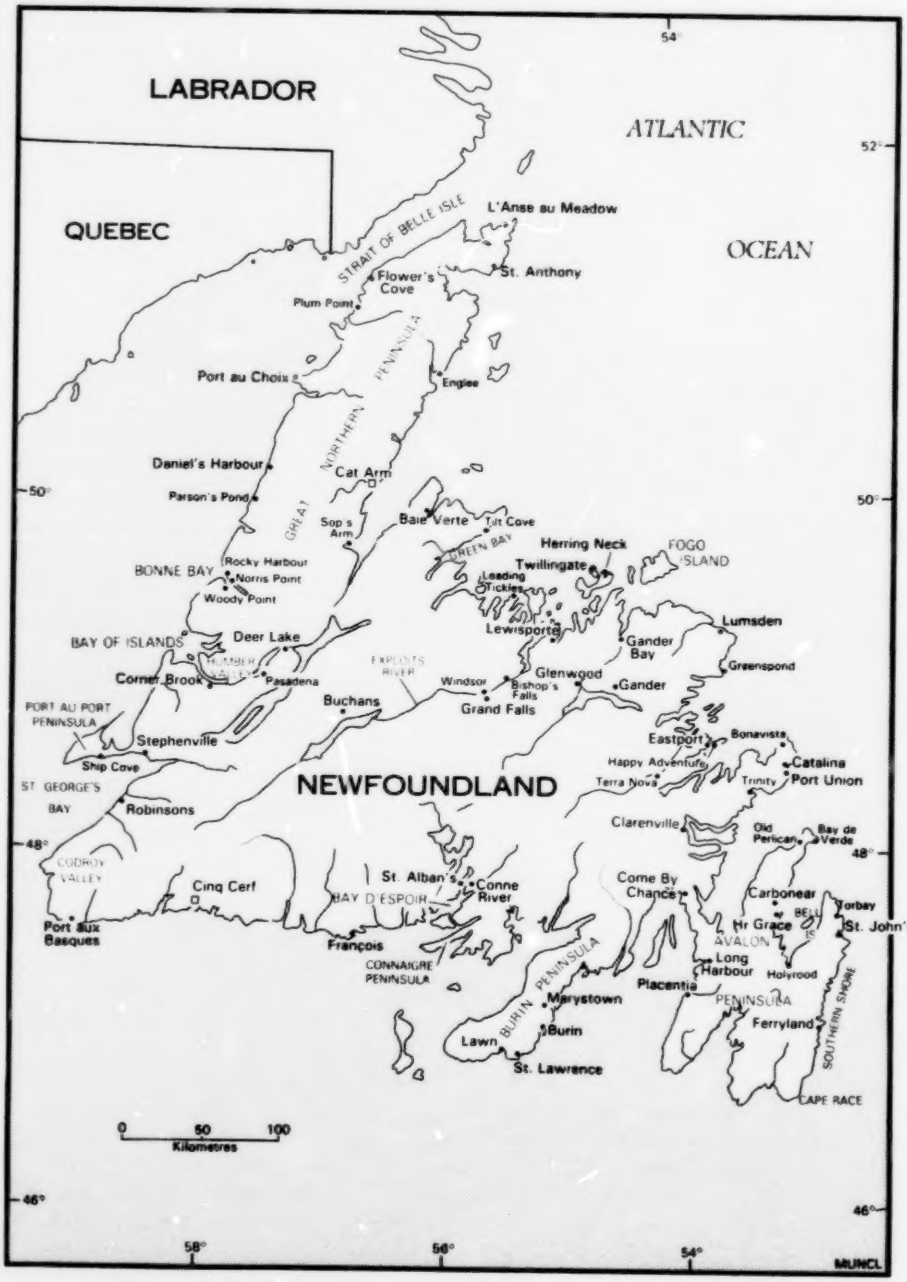
200
Kilometres
Hopedale
Makkovik
Postville
SANDWICH BAY
LABRADOR
Rigolet
Esker
LAKE MELVILLE
Cartwright
Churchill Falls
North West River
Happy Valley-Goose Bay
Sheshashit
Paradise River
Muskrat Falls
Gull Island
EAGLE RIVER
Labrador City
Wabush
Charlottetown
Port Hope Simpson
Fox Harbour
Mary's Harbour
Red Bay
L'Anse au Loup
Blanc Sablon
Forteau
Gulf of St. Lawrence
MUNCL


LABRADOR
QUEBEC
ATLANTIC
OCEAN
STRAIT OF BELLE ISLE
L'Anse au Meadow
St. Anthony
Flower's Cove
Plum Point
GREAT NORTHERN PENINSULA
Port au Choix
Englee
Daniel's Harbour
Cat Arm
Parson's Pond
Sop's Arm
Baie Verte
Tilt Cove
GREEN BAY
Herring Neck
FOGO ISLAND
Twillingate
Leading Tickles
BONNE BAY
Rocky Harbour
Norris Point
Woody Point
BAY OF ISLANDS
Deer Lake
HUMBER VALLEY
Corner Brook
Pasadena
EXPLOITS RIVER
Windsor
Bishop's Falls
Grand Falls
Lewisporte
Glenwood
Gander Bay
Gander
Lumsden
Greenspond
Buchans
PORT AU PORT PENINSULA
Stephenville
Ship Cove
ST. GEORGE'S BAY
Robinsons
NEWFOUNDLAND
Eastport
Bonavista
Happy Adventure
Terra Nova
Trinity
Catalina
Port Union
Clarenville
Old Perlican
Bay de Verde
CODROY VALLEY
Cinq Cerf
St. Alban's
Conne River
BAY D'ESPOIR
Port aux Basques
François
CONNAIGRE PENINSULA
Come By Chance
Carbonear
Torbay
BELL IS
Hr Grace
St. John's
AVALON PENINSULA
Long Harbour
Holyrood
Placentia
BURIN PENINSULA
Marystown
Burin
Lawn
St. Lawrence
Ferryland
SOUTHERN SHORE
CAPE RACE
0
50
100
Kilometres
54°
52°
50°
48°
46°
58°
56°
54°
MUNCL

APPENDIX VII

Recommendations

CHAPTER 3

1. *The Newfoundland Statistics Agency, in consultation with Statistics Canada, should devise and implement an adequate labour force survey for Newfoundland.* p. 82

CHAPTER 5

I. The Goods-Producing Sector

The Fishery

2. *A Canada-Newfoundland Fisheries Policy Board, with strong directive powers, should be established to devise and implement fisheries policies for Newfoundland consistent with national resource management objectives.* p. 141
3. *The Newfoundland Branch of the Department of Fisheries and Oceans should be the agency responsible for administering federal fisheries policies in all regions of Newfoundland and Labrador.* p. 141
4. *Because of its paramount importance to the inshore fishery of Newfoundland, the federal Department of Fisheries and Oceans, in co-operation with the provincial Department of Fisheries, the Fishermen's Union and the Fisheries Association of Newfoundland and Labrador should undertake a comprehensive investigation of the reasons for the decline of the inshore cod stocks, with a view to taking whatever mitigatory measures are necessary to ensure the regeneration of those stocks.* p. 141
5. *Governments should assert their faith in the inshore fishery by instituting a new programme for its revitalization and development, a programme that is attuned to the needs of fishermen but is consistent with sound economics and resource management. Such a programme should concentrate on innovative small-scale development, multiple-species exploitation, aquaculture and greater industrial linkages.* p. 142
6. *In order to relieve the immediate debt burden of nearshore (longliner) fishermen, a refinancing plan should be devised by government, one component of which might be the conversion of government's investment from debt to equity.* p. 142
7. *The present full-time/part-time and limited entry licensing systems should be replaced by a general licensing system for Newfoundland fishermen which ranges across a variety of species.* p. 142
8. *The unemployment insurance scheme for self-employed fishermen should be replaced by an income security/supplementation programme.* p. 143
9. *A committee should be struck – including representatives from the federal and provincial Departments of Fisheries, the Fishermen's Union and the Institute of Fisheries and Marine Technology – to devise and implement a comprehensive programme of education for fisheries development in Newfoundland.* p. 143
10. *A system of training and certification should be implemented, requiring specific qualifications and standards for the following categories of Newfoundland fishermen: apprentices, small-boat fishermen, nearshore fishermen, midshore fishermen and trawlermen.* p. 143

11. *The provincial Department of Fisheries, in co-operation with the Department of Rural, Agricultural and Northern Development and the federal Department of Fisheries and Oceans, should institute a region-by-region, plant-by-plant approach to improving the economic performance of Newfoundland's independent fish-processing sector.* p. 144
12. *The implementation of a system of Fish Product Freezer (storage) Units should be thoroughly researched and, when proven viable, established in appropriate locations across the province.* p. 144
13. *The provincial government should divest itself of the direct ownership of fish-processing plants and should turn over the operation of its plants to independently owned or community-owned companies.* p. 144
14. *The government should be equally supportive of community-based fish-processing companies as of privately owned fish-processing companies. Local initiative should be encouraged.* p. 144
15. *The government should commission a comprehensive study of the independent processing sector of the Newfoundland fisheries. This study should be sensitive to community, regional and provincial needs and should focus upon, but not be limited to, the following: resource needs, capital structure, plant and equipment, management, marketing, labour relations, training and the role of an income security system.* p. 144
16. *Through Memorial University and the Institute of Fisheries and Marine Technology, the government should institute a strong programme for business, marketing, managing, financing and technological training for fish plant owners, managers and workers.* p. 145
17. *Government should co-ordinate and facilitate the development of secondary processing through new product innovation and market development using the combined forces of the Institute of Fisheries and Marine Technology and local fish processors.* p. 145
18. *The fish marketing efforts of the Department of Fisheries, the Department of Development and Tourism and the Fishing Industry Advisory Board should be consolidated into a single agency charged with co-ordinating all aspects of fish marketing and providing up-to-date information to independent processors about international market niches for all species; and these efforts should be co-ordinated with the marketing activities of the federal Department of Fisheries and Oceans.* p. 145
19. *The provincial government should immediately establish a task force to investigate the best way in which aquaculture can be developed in Newfoundland so as to serve provincial, regional and community needs.* p. 145
20. *Government should give high priority, in the form of local preference policies, increased research and development funding and new incentives to encourage the purchase of local goods, with a view to establishing a strong fisheries-related manufacturing sector within the province.* p. 145
21. *Government and the Institute of Fisheries and Marine Technology should set up a fisheries innovation centre geared to assisting local fishermen and plant operators in the development of local innovative ideas.* p. 145

Forestry

22. *The amount of silviculture work in the province should be increased, especially pre-commercial thinning and forest reclamation. The target for treatment should be equal to the area cut each year.* p. 151
23. *The revitalization of the lumber industry should be assisted through a variety of programmes:*
    - *long-term loans to sawmillers to invest in new, small-scale efficient sawmill equipment;*
    - *introduction of new forest management regulations which would bring birch to roadsides in cutover areas, allow selective cutting of lumber in small-scale sawmills where appropriate and promote exchanges of pulp logs for good saw logs between sawmills and pulp mills;*
    - *expanded wood-chipping, so that sawmill waste can be utilized;*
    - *each of the papermills to be made capable of receiving wood chips from the sawmills;*
    - *paper company timber limits to be adjusted to allow access by other users without, however, endangering access by the paper companies to the requisite number of commercial stands for their needs;*
    - *the use of quality, graded provincial lumber and wood products, including birch lumber products, on public and publicly funded structures;*
    - *more research and development on sawmill technology to be carried out at Memorial University.* p. 151
24. *The local woodworking industry should be promoted so that it can increase its share of the domestic market through a variety of programmes:*
    - *reduction of sales tax on certain kinds of wood products;*
    - *the use in public buildings of locally made furniture and other wood products;*
    - *assistance in the establishment of small-scale kilns;*
    - *further study of the economics of a small-scale panel board plant;*
    - *assistance in the establishment of an organization or institution to service the needs of this industry for technology transfer, business skills development and marketing.* p. 151
25. *The provincial government should undertake a campaign to promote the use of local timber in various manufacturing activities.* p. 151
26. *Employment should be fostered by encouraging the growth of the fuel-wood industry, with the requirement that existing and new public buildings be heated by wood biomass where economical and practical.* p. 152
27. *Government should continue to investigate the possibility of developing a lumber and pulp industry in the Goose Bay area, with special attention being given to the example of the smaller pulp mills in Europe which have adopted appropriate technologies so as to create small-scale pulping operations.* p. 152
28. *There should be increased research in the forest industry in areas such as the growth of forests, pest and disease control, and technology and product development.* p. 152
29. *The provincial government should consider submitting another Forestry Economic Stimulation Programme proposal to Ottawa, given the high unemployment rates in areas like Bay d'Espoir and the Northern Peninsula, so that forestry-related employment could be generated with maximum value to the forestry industry.* p. 152

Mining

30. *Increased mineral exploration should be promoted through a variety of measures:*
    - *the development of a tax credit or similar system for encouraging investment by Newfoundland companies conducting mining exploration and development;*
    - *the continued and expanded provision of services to exploration businesses such as surveying, mapping and core-storage.* p. 154
31. *Government should research and promote potential business opportunities in servicing the mining industry. Mining companies' plans for developing mines should include provisions for maximizing local benefits to businesses providing mine services.* p. 155
32. *Government should encourage maximum feasible local processing of mining products.* p. 155

Energy

33. *Provincial energy policy should be upgraded and developed to contribute more to the economic development of the province. To implement this improved policy, the Energy branch of the Department of Mines and Energy should have greater authority for the planning and evaluation of all energy matters.* p. 157
34. *The government should continue serious negotiations with Quebec on the full development of Labrador's energy potential, within which the issue of the Churchill Falls contract can be addressed. The major purposes of these negotiations would be to obtain revenues for the province from the export of electricity and to permit an early start to the construction of facilities for transmitting electricity from Labrador to the Island.* p. 157
35. *An extensive energy conservation programme should be undertaken to help reduce the cost of electricity to consumers, to reduce the growth of provincial demand, to increase the viability of local businesses and industry, to create employment and to decrease the cost of operating public facilities.* p. 157
36. *The use of peat and wood chips to replace oil should be expanded. Programmes to aid conversion should be continued and expanded. New developments in peat-derived fuel should be investigated and evaluated for local use for the generation of heat and electricity.* p. 157
37. *The development and implementation of alternative energy sources for remote communities should be continued. Government should encourage private enterprise, community organizations and government agencies to work closely together in developing alternative modes of energy production.* p. 157
38. *Private small-scale generation of electricity should be promoted and current restrictions should be reviewed, modified, or eliminated.* p. 157

Manufacturing

39. *In order to help overcome the difficulties that we face in secondary manufacturing in the province, Memorial University, the College of Trades and Technology, the Institute of Fisheries and Marine Technology, government and business should recognize that they form a community of interest and should co-ordinate their efforts so as to be able to realize potential opportunities in secondary manufacturing in the following ways:*
    - *some of the non-resource manufacturing initiatives of the small-scale, appropriate technology type initiated in some European (and developing) countries should be examined for applicability to the Newfoundland context;*

- *engineers at Memorial University and in the colleges should be encouraged to become involved in the development of appropriate technology (machinery, equipment) suited to local manufacturing;*
- *a thorough review should be undertaken of the marketing difficulties and potential of Newfoundland manufactured products.* p. 161

40. *The provincial Department of Municipal Affairs should keep readily available, up-to-date information on municipal tax rates in all the province's municipalities.* p. 162
41. *The Departments of Municipal Affairs, Development and Tourism and Finance should co-operate to undertake a review of provincial and municipal taxes in terms of their effects upon local manufacturing.* p. 162

Construction

42. *To maintain the level of construction activity, public-sector investment should counterbalance periods of low construction spending in the private sector.* p. 167
43. *Government, and the Newfoundland construction industry, should encourage and aid the flow of technology into the local construction industry, and the retention of new technology, through joint ventures and other methods; they should support upgrading and retraining for participants in the industry, so that this province's construction industry can be competitive with the rest of Canada.* p. 167
44. *Government and institutions should promote the use of local materials and services within the construction industry, in order to gain maximum local benefit from construction activity, especially in public works projects.* p. 167
45. *The provincial government should institute uniformity in its general conditions of construction contracts.* p. 167
46. *An arbitration system should be introduced to settle disputes between the provincial government and construction contractors.* p. 167

Agrifoods and Animal Products

47. *The government should appoint a task force composed of industry and government, which would be charged with preparing a long-term policy on agrifoods, and a strategy for developing agrifoods, within the framework of the policy. The task force should consult with major producers and organizations across the province in preparing an agrifoods policy and strategy.* p. 179
48. *The Agriculture branch of the Department of Rural, Agricultural and Northern Development should be rejuvenated and renamed 'Agriculture and Foods'. The branch should be given an aggressive new mandate to cover all food issues, and should be reorganized and augmented to give necessary emphasis to production, marketing, food technology, education, processing, lands and soils and extension services. Applied food research, as well as planning research, should be established in the branch. A research and planning arm of the branch should be created to perform necessary economic and policy research on agrifoods issues. Government should give agriculture the prominence it deserves, possibly through creating a separate department consisting of agriculture, foods and animal products.* p. 179
49. *The provincial government should pursue the negotiations and signing of a cost-shared agrifoods agreement with the federal government without further delay.* p. 179

50. *On a more detailed level, there are several initiatives which would fit well into a new agrifoods policy and strategy:*
   - *public awareness of the importance and value of the agrifoods sector should be raised. The establishment of more local produce markets and the holding of more fairs will aid this process;*
   - *local produce markets will help the marketing of products, but continued efforts to improve marketing and market access are required;*
   - *government should implement a 'buy Newfoundland Agricultural Products' policy in public institutions. In addition, the public should be encouraged to buy provincial farm products;*
   - *government programmes must concentrate on aiding expansion of successful components of the local industry until a reasonable level of production is reached in these components;*
   - *all linkages between the agrifoods industry and related industries (particularly in the service sector, but also in fisheries) should be actively encouraged in order to diversify agricultural production;*
   - *the production of local feed for livestock should be increased and the implementation of new feed technology should be supported so as to replace the high cost of imported feed. In particular, government should ensure that recent advances in feed technology are harnessed for local production and use;*
   - *new rules for land acquisition are required to encourage farm expansion and new farmers. A system in which land is initially leased, then granted after a number of years of production, may be the solution. Government should become active in getting unused land back into production by acting as an intermediary between interested parties;*
   - *government should consider seriously the problems of using prime agricultural land for residential or commercial development. If necessary, it should pass legislation which protects and preserves prime agricultural land with appropriate compensation to existing land owners;*
   - *programmes to upgrade farmers' skills and aid the introduction of new technology must be introduced, expanded and improved. Access to crown lands should be restricted to qualified individuals;*
   - *post-secondary institutions, particularly the province's community college system, should offer programmes and courses aimed at providing the kinds of agricultural training appropriate for this province.* p. 179
51. *The government should investigate, analyze, plan the development of and create an animal products industry, based on the principles of long-term stable development and the use of appropriate, small-scale technology.* p. 180
52. *The provincial and federal governments must continue to promote the seal fishery as an essential element of the animal products industry. Governments must ensure the survival of the fishery by offering financial and other assistance to participants in the purchasing, processing, stockpiling and marketing of seal products. In particular, greater emphasis should be placed on the development of new products, derived from the seal fishery.* p. 180
53. *A new division should be established, possibly under the agrifoods branch, to be responsible for the development of the animal products industry and to act as a catalyst to bring the various groups in the industry together to help develop and integrate it.* p. 180

54. *Government should create programmes within the proposed strategy for development which address the industry's needs for appropriate technology, capital assistance, regulatory assistance, marketing and training. During the development of the animal products industry, gaps in its structure should be filled by government bridging programmes.* p. 180
55. *Government should ensure that new progress in feed technology (which is already taking place) be encouraged and promoted. In particular, initiatives to develop feed from a combination of fish and potatoes should be explored using local expertise and resources.* p. 180

Oil and Gas

56. *The first principle of oil and gas policy should be the maximization of the province's share of economic rents. These should be used to reduce taxes, reduce the deficit, diversify the economy, promote regional development and improve public services throughout the province.* p. 187
57. *A taxation regime, such as a cash flow tax, should be devised which reduces the tax burden on the companies when world oil prices are low; but the Newfoundland government should avoid both direct subsidization of the oil industry and speculative investment in expensive onshore oil-related projects.* p. 187
58. *The provincial government should insist on having a representative on the operating board for each major offshore development, including Hibernia.* p. 187
59. *The government should continue to promote the principle of landing and processing crude oil and natural gas within the province to the extent that it is economically feasible. All hydrocarbons produced should be taxed as if they were landed in Newfoundland.* p. 187
60. *The government should recognize explicitly that oil-related activities will be situated predominantly in eastern Newfoundland and should promote the rationalization of the region's urban-industrial growth in transportation, municipal services, training, industrial relations and business development.* p. 187
61. *Notwithstanding the last recommendation, efforts by municipalities and enterprises in other parts of the province to become involved in oil-related manufacturing, fabrication and servicing should be actively supported by government.* p. 188
62. *The government should co-operate with the oil industry to introduce mechanisms, such as regional hiring offices and subsidized transportation, which would increase the opportunities for residents from all parts of the province to find employment in the oil industry; municipalities, development associations and other organizations in all regions should be provided with up-to-date information about oil-related activities and opportunities.* p. 188
63. *As far as possible, oil-related education and training should be decentralized to the community colleges, with only the most highly technical and specialist programmes offered at Memorial University, the College of Trades and Technology and the Institute of Fisheries and Marine Technology.* p. 188
64. *In co-operation with the oil companies, the province should adopt a 'two-week on, three-week off' routine for offshore oil workers.* p. 188
65. *For large-scale construction projects, such as the gravity-based production platform for Hibernia, the government should implement labour relations provisions along the lines recommended in the report of the Construction Industry Advisory Committee: Special Project designation, union labour and composite work crews. Government should begin early discussions with labour leaders on the issue of community and regional employment on major construction projects.* p. 188

66. *To ensure continually updated financial and employment forecasting, and to assess the revenue and employment implications of alternative development modes, the Petroleum Directorate should refine and use the Revenue/Employment Analysis Package #1 model designed for this Royal Commission.* p. 188
67. *An oil and gas education and training strategy should be devised and implemented incorporating the following components and principles:*
    - *the Department of Career Development and Advanced Studies should be given the responsibility of co-ordinating all oil and gas education and training in the province;*
    - *a committee of oil operators, government and representatives from the post-secondary institutions should be charged with identifying specific needs and programmes for oil industry training;*
    - *to a limited extent, the government should provide oil-related training and work experience for young Newfoundlanders in established oil-producing regions elsewhere, in anticipation of future developments here;*
    - *as a condition of proceeding to the development stage of a prospective oil and/or gas field, all operators should be required to file for approval a human resources plan detailing the steps by which Newfoundlanders will be trained, in anticipation of employment opportunities in the production phase of the field;*
    - *in the near term, training should be geared mainly to those 'middle range' occupations which require minimum investment for maximum job creation returns;*
    - *training priority should be given to skills which are needed for both fixed and floating production system technologies;*
    - *to enhance technology transfer, training for the petroleum industry should be undertaken using existing public institutions and facilities;*
    - *the post-secondary institutions should focus mainly upon generic skills, with specific training being provided by industry or by the institutions in close collaboration with industry.* p. 188
68. *Local business opportunities from offshore oil and gas development should be promoted in the following ways:*
    - *the Department of Development and Tourism should be given a strong mandate to actively promote oil- and gas-related business opportunities utilizing experienced businesspeople from the industry;*
    - *the Department of Development and Tourism should maintain, continually update and distribute throughout the province a list of oil-related business opportunities;*
    - *local preference guidelines should be maintained and enforced by the Canada-Newfoundland Offshore Petroleum Board, with special attention given to following the enforcement 'down the line' to the sub-contractors of major projects;*
    - *government should actively encourage and support local companies in bidding for and delivering on contracts with the oil operators and drilling companies;*
    - *the other provisions for stimulating local enterprise as outlined in Chapter 11 of this Report should be applied to the oil industry;*
    - *the Department of Development and Tourism should maintain a continually updated information service so that small enterprises can link into oil and gas development, in joint ventures where appropriate;*
    - *government should identify an appropriate mechanism whereby private investors would have access to equity capital, thereby permitting an increase in local investment in the offshore;*

- *oil-related investment should be concentrated in using and developing technologies which will transfer to other industries which have the potential for long-term development in Newfoundland.* p. 189

69. *The Petroleum Directorate should be given a strong mandate to promote and co-ordinate social and economic research, public education and public debate about oil and gas, and it should make the findings of its studies readily available to the public.* p. 189

II. The Service Sector

70. *The provincial government, through the Departments of Development and Tourism and of Career Development and Advanced Studies, should perform regular forecasting of service industry development and consult regularly with representatives of the major service-sector industries in the province to facilitate the growth of this sector.* p. 202
71. *The provincial government should establish a high-powered task force, composed of senior executives and other experienced professionals in the field, to devise and implement a strategy for accelerating the modernization of the communications/information and computer systems of all regions and communities in Newfoundland.* p. 202
72. *Given the highly competitive international market-place in which they are operating, Newfoundland consulting firms involved in the provision of business and producer services should form an industry association, local joint ventures should be encouraged and government should provide support for these local businesses in dealing with external competitors.* p. 202
73. *Government, through the Department of Development and Tourism, should assist local consulting firms involved in business and technical services to expand internationally through such means as conducting feasibility and market strategy assessments, and hosting international conferences, with special emphasis upon areas in which we have a potential comparative advantage.* p. 202
74. *Government, in consultation with the Credit Union Council of Newfoundland and Labrador, should attempt to transact some of its financial affairs through the credit union system, with special attention being given to administering some of its financial assistance programmes to small business through the province's credit union movement.* p. 202
75. *In order to provide a much better appreciation, by those in the public and private sectors involved in service industries, of how to interact on a more efficient and competitive basis, government should establish a much more active programme of management personnel exchanges with service-sector enterprises.* p. 203
76. *Other things being equal, governments should attempt to decentralize public services into the regions and smaller communities. Services should be withdrawn and centralized only when it can be demonstrated conclusively that this would ensure a net economic benefit to the province; such withdrawals should be gradual and, as much as possible, alternative employment opportunities should be created in the communities losing the service.* p. 202
77. *Government should develop and implement a voluntary work sharing programme within publicly funded institutions, whereby those individuals with the resources and the inclination to pursue interests outside the workplace can do so, while those people who have the skills, but are without employment, can avail themselves of the greater number of employment opportunities that would result.* p. 202

CHAPTER 6

Labrador and Native Peoples

78. *The provincial and federal governments should enter into land claims negotiations with the native peoples of Newfoundland with a view to achieving a just settlement which would lay a sound foundation for greater self-determination and self-reliance for native peoples.* p. 240

79. *Native peoples' agreements should be reached with all the native peoples of Newfoundland and Labrador. The main responsibility for administering these agreements and for allocating funds should rest with native organizations and native people themselves, with governments playing an advisory and supportive role.* p. 240

80. *Through the native peoples' agreements, native people should be given the opportunity to develop business and entrepreneurial skills and should be given access to start-up capital for establishing and operating small private businesses, community development corporations and producers' co-operatives.* p. 240

81. *School curricula for native children should be revised so as to place much greater emphasis upon native culture and language and to provide instruction in those life skills suitable to a rural life-style. This should be done in close consultation with native leaders and experts; priority should be given to training more native teachers.* p. 240

82. *Training programmes should be designed in consultation with, and offered to, native peoples for occupations well-attuned to their traditional life-styles such as wildlife and conservation officers. Training programmes should be available, within the communities, for self-help skills such as carpentry, plumbing and small engine repair.* p. 240

83. *Newfoundlanders, such as native people, who depend upon hunting and trapping as their main source of livelihood, should be given special consideration in the issuing of game licences; the provincial government, in consultation with native groups, should develop a comprehensive policy for subsistence, commercial and sports hunting.* p. 240

84. *The provincial and federal governments, in consultation with local development associations, native associations and the Fishermen's Union, should institute a comprehensive fisheries development policy for coastal Labrador. This policy should incorporate the principle of local ownership and control of the fish plants along the coast.* p. 240

85. *Pending the implementation of a new income security system, unemployment insurance benefits should be made available to Labrador fishermen from October through June. Social assistance payments should be increased; in particular, the winter fuel allowance should be raised.* p. 241

86. *Government should proceed with the building of the trans-Labrador highway and the extension of the road system along coastal Labrador.* p. 241

87. *The towns of western Labrador should be supported in their attempts to diversify their economies and contingency planning should begin now for the eventual closing down of the iron ore mines in western Labrador.* p. 241

88. *The resource technicians' course, and similar programmes at North West River, should be expanded as a branch operation of the Labrador Community College, and groups such as the Salmon Enhancement Association of Labrador should be supported in their efforts.* p. 241

89. *If a NATO training facility is to be established at Happy Valley-Goose Bay, it should be planned carefully so as to maximize local employment and business opportunities. If low level flying is to continue, it should be routed so as to minimize disruption of the local population.* p. 241

Single-Industry Towns

90. *The government should design and implement a policy for single-industry towns aimed at preventing the recurrence of cases of economic decline as experienced by Bell Island, St. Lawrence and many smaller resource-based communities in the province.* p. 253

Women and the Labour Force

91. *Government departments and agencies should collect data on employment, income and other socio-economic variables by gender as a matter of course in any survey, study or monitoring programme undertaken.* p. 261
92. *The provincial government should focus more attention on women's employment opportunities in non-traditional fields, such as the offshore petroleum industry. The Petroleum Directorate should update and release to the public its study of women in the offshore and, in co-operation with the Department of Career Development and Advanced Studies, should work with offshore oil operators to encourage women to pursue offshore oil-related career opportunities.* p. 261
93. *In devising labour-market strategies and employment generation programmes, governments should pay particular attention to the employment concerns of rural women.* p. 261
94. *The Department of Education, with the co-operation of the School Boards, should accelerate their analysis of the contents of all curricula and courses in order to eliminate the sex-stereotyping of boys and girls. Special attention should be devoted to the elementary school system, and basic textbooks which do not emphasize traditional gender roles should be adopted for school use.* p. 261
95. *The Faculty of Education at Memorial University should include material on sex-stereotyping in its teacher training programme in order to educate all teachers and potential teachers about the negative effects of sex-stereotyping.* p. 261
96. *The Department of Education should initiate a major programme in primary and secondary schools to provide information, through guidance and career counselling, on a wide variety of career choices for young women.* p. 261
97. *The Department of Career Development and Advanced Studies should assess efforts to introduce non-traditional training options for women and the number of female instructors in all non-traditional trade programmes should be increased.* p. 261
98. *More public funds should be made available for the establishment of day care facilities and childcare services across the province.* p. 262
99. *The regulations governing day care services and facilities should be amended to include regulations governing the qualifications of day care staff.* p. 262
100. *In view of the obvious demand for the Early Childhood Education Programme at the College of Trades and Technology, more courses in early childhood education should be offered in different parts of the province through the community college system.* p. 262

101. *The Labour Standards Act provision for maternity leave should be recast as parental leave and include a provision for the sharing of parental leave by fathers and mothers. Adoptive parents should be eligible for the same leave as natural parents.* p. 262
102. *Government should, where it has the discretionary power to make appointments to boards, commissions, corporations and other organizations, appoint approximately the same percentage of females as males.* p. 262
103. *Recognizing the job creation potential of small enterprises, government should use a range of support and promotion strategies to actively encourage women to undertake enterprise initiatives.* p. 262
104. *The federal and provincial governments should recognize the high unemployment rate for women and should guarantee equal access for women to job creation programmes. Employment counsellors should be fully conversant with all programmes geared towards women's employment and training, particularly in non-traditional areas of work.* p. 262

Youth and Unemployment

105. *Both federal and provincial funding for youth employment programmes in the province should be increased substantially, and the Career Exploration for Youth Programme should be expanded.* p. 271
106. *The Youth Services Division of the provincial Department of Culture, Recreation and Youth should be relocated to the Department of Career Development and Advanced Studies.* p. 272
107. *Both orders of government should co-operate in forming an intergovernmental committee which will design and implement public policies for youth employment, and avoid unnecessary duplication of effort.* p. 272
108. *Government and industry should provide more scholarships for young Newfoundlanders to pursue post-secondary education at the community colleges, the College of Trades and Technology, the Institute of Fisheries and Marine Technology and Memorial University.* p. 272
109. *Student loans should be tailored more realistically to the needs of students, and the recipients of student loans should have their repayment schedules adjusted to ease the burden of repayment until they find employment.* p. 272
110. *Employers should be offered subsidies, on a declining annual basis, to hire young people for new positions which would not otherwise be affordable.* p. 274
111. *Government should assist industry to participate in co-operative education programmes so that more Newfoundlanders can complete their training and enjoy valuable work experience.* p. 274
112. *Businesspersons and industrialists should be encouraged to establish and operate a Young Entrepreneurs Fund which would provide equity funding, practical training and business advice to young Newfoundlanders who want to go into business for themselves.* p. 27[illegible]
113. *The provincial government should establish a Young Newfoundland Conservation Corps which would provide training and meaningful work experience for successive groups of young Newfoundlanders.* p. 275

People with Disabilities

114. *To the maximum extent possible, workplaces must be made accessible to people with disabilities.* p. 277
115. *Transportation systems for people with disabilities should be improved to give them fair and equal access to education institutions and places of work.* p. 277
116. *The anti-discrimination clauses of the Canadian Charter of Rights and Freedoms should be vigorously enforced, and the provincial government should agree to purchase goods and services only from businesses which agree to practise employment equity.* p. 277
117. *Experts in education for people with disabilities should be hired to advise on ways to accommodate disabled persons in the secondary and post-secondary education systems.* p. 277
118. *Under the Vocational Rehabilitation of Disabled Persons Act, provision should be made for employment support services (such as technical aids), attendant services, reader services and sign interpretation, to be included in the list of services eligible for funding.* p. 277

The Human Face of Unemployment

119. *The provincial government, with the support of public and private employers in the province, should foster employment sharing through measures such as the following:*
    - *encouraging job-sharing arrangements within government, other public institutions and the private sector, such that two people can share a single job;*
    - *allowing employees to have three years' salary paid over four years with one year's sabbatical leave after three years' service;*
    - *developing a voluntary early retirement scheme in the public service and encouraging other public and private sector employees to develop such schemes;*
    - *encouraging a maximum number of, say, 200 hours of overtime that an individual can work during any twelve-month period.* p. 297
120. *Special programmes, possibly administered through the Canadian Jobs Strategy, should be instituted to encourage the unemployed to further their education and training during their spells of unemployment. These programmes should include the waiving of tuition costs and/or the provision of income support payments to cover education and training costs. Unemployed individuals should not be precluded from earned unemployment benefits because they are pursuing post-secondary education.* p. 297
121. *To promote self-reliance and support self-esteem among the unemployed, programmes such as the Residential Rehabilitation Assistance Programme and co-operative housing should be expanded and new programmes should be introduced to help the unemployed own and maintain their houses for themselves.* p. 297
122. *People who now provide informal financial support to the unemployed should be allowed to do so through Mutual Aid societies that would make such contributions eligible for income tax deductions.* p. 297

CHAPTER 8

Literacy and Basic Education

123. *To encourage students to stay in school, the overall quality of the total curriculum must be improved; a much greater emphasis must be placed on developing solid fundamental academic abilities in young people; course content must be more challenging and also be relevant to the society, life-styles and communities in which young people live.* p. 315
124. *Priority should be given to establishing a comprehensive early childhood education programme throughout the province, with special attention given to remote and rural areas.* p. 315
125. *The Department of Education, in consultation with the Newfoundland Teachers' Association, should redesign the primary, elementary and secondary school programmes so that they provide instruction in, and give credit for, skills that contribute to greater self-reliance and successful adaptations to life in rural Newfoundland.* p. 135
126. *Schools should teach basic computer skills to all students and should be provided with the equipment needed to make this possible.* p. 315
127. *The principles of economic self-reliance, labour relations and the way our economic system works should be taught at all levels in the education system.* p. 315
128. *Government should re-evaluate the high school programme in terms of curricula and course content. All efforts should be made to provide an integrated, three-year high school programme which challenges and enriches all students. The school-leaving age should be raised to 17 years.* p. 316
129. *More counsellors should be made available in our schools. Counselling should involve not just guidance counselling but career counselling as well; the programme at Memorial University should have more emphasis on career counselling, and government should have a formula for allocating counsellors which is separate from that for allocating teachers.* p. 316
130. *The Department of Career Development and Advanced Studies should be responsible for collecting and disseminating accurate and up-to-date information and statistics on prospective careers.* p. 316
131. *The Faculty of Education should raise its entrance standards along the lines of the other professional faculties and schools of Memorial University.* p. 316
132. *Instructors responsible for training teachers should spend time, at frequent intervals, in the school system.* p. 316
133. *The Faculty of Education should institute a co-operative programme in education similar to that of the Faculties of Engineering and Business.* p. 316
134. *Specialized required courses which will provide prospective teachers with the requisite skills for teaching in remote and rural areas should be integrated into all teacher training programmes.* p. 316
135. *Issues such as the objectives of education for Newfoundland, and education for regional and provincial economic development, should be included in teacher training programmes.* p. 316
136. *Criteria for awarding salary increments and promotion to teachers should be redesigned so as to give credit for teaching effectiveness and for upgrading that contributes directly to improved effectiveness.* p. 316

Adult Literacy and Continuing Education

137. *Under the direction of the Department of Career Development and Advanced Studies, all education agencies and institutions in the province should develop a co-ordinated programme for improving literacy rates. The fundamental thrust of this strategy initially must be the elimination of the discrepancy between urban and rural literacy rates within 10 years.* p. 317
138. *Government should withdraw completely from the direct delivery of adult education, but should provide the policy framework for improving literacy and for co-ordinating, and avoiding duplication in, all adult and continuing education programmes.* p. 317
139. *Specific institutions should be given the primary responsibility for planning and implementing continuing education programmes, with responsibilities assigned along the following lines:*
    - *The College of Trades and Technology - adult training and retraining in non-fisheries and non-marine related areas;*
    - *Memorial University - literacy;*
    - *The Institute of Fisheries and Marine Technology - fisheries and marine-related training;*
    - *Community Colleges - programmes related to regional needs.* p. 317
140. *Continuing and adult education programmes should be delivered in the most effective manner, using modern communications technology. Programmes should be highly responsive to the needs of individuals, communities and institutions, and special consideration should be given to programme delivery in those regions of the province which are remote or isolated, especially coastal Labrador.* p. 317

Post-Secondary Institutions

141. *The Minister of Career Development and Advanced Studies should require that Memorial University, the Institute of Fisheries and Marine Technology, the College of Trades and Technology and the community colleges develop co-ordinated policy statements, be complementary in their roles and avoid wasteful duplication of effort.* p. 323
142. *Memorial University should be mandated to have economic development as one of its formal objectives.* p. 323
143. *Memorial University's School of Continuing Studies and Extension should be reorganized and given a strong mandate to co-ordinate community and economic development contributions by the University to all regions of the province.* p. 323
144. *The University should establish and operate a Science and Technology Council.* p. 324
145. *The Institute of Fisheries and Marine Technology should be given the main responsibility for all aspects of fisheries and marine-related research and development, including the active promotion and delivery of education and training programmes for the fishing industry.* p. 324
146. *The Institute of Fisheries and Marine Technology should work with the other post-secondary institutions, and with the public and private sectors, in promoting the results of its research and development.* p. 324
147. *The College of Trades and Technology should be developed as the major centre for non-marine related technological training in the province and be responsible for co-ordinating technical training in other provincial institutions.* p. 324

148. *The district vocational schools, the Craft School and the Bay St. George Community College should be incorporated into a community college system. The system should be*
    - *operated independently of government,*
    - *administered on a regional basis, and*
    - *co-ordinated through a central co-ordinating committee or board of governors.* p. 324
149. *A plan for instructor upgrading should be implemented which would include the following elements:*
    - *the establishment of a sabbatical leave programme for instructors who wish to upgrade their general education and technical skills;*
    - *the establishment of a centre for instructor upgrading;*
    - *the establishment of a standard certification process for all instructors;*
    - *the establishment of willingness to upgrade as a condition of employment;*
    - *the establishment of an industry/college programme for the mutual transfer of instructors to industry and industry personnel to the colleges;*
    - *a programme of voluntary early retirement for those not interested in upgrading.* p. 324
150. *For the private post-secondary institutions:*
    - *the Department of Career Development and Advanced Studies should set, and enforce, standards for their programmes and advertising;*
    - *government should not normally provide funding for programmes that are offered by public post-secondary institutions.* p. 324
151. *The province must undertake a review and cost analysis of the denominational education system.* p. 325
152. *The use of alternative technologies in education programme delivery should be explored and developed as one solution to educational funding problems.* p. 325
153. *At the post-secondary level, funding priority should be given to education programmes directly related to community and economic development and employment generation.* p. 326
154. *A mechanism should be established within the education system to provide feedback on the effectiveness of all components and programmes.* p. 326
155. *The Department of Career Development and Advanced Studies should proceed further in its reorganization in order to:*
    - *respond with flexibility to the needs of the post-secondary system;*
    - *enhance its research and information dissemination capabilities;*
    - *take responsibility for the Division of Youth.* p. 326

Training Programmes

156. *The post-secondary training institutes should emphasize generic skills and organize their programmes along the lines suggested in this Report.* p. 327
157. *In consultation with the appropriate unions, the apprenticeship system should be replaced by a co-operative training system which would be expanded to include a wide range of occupational categories.* p. 327
158. *The apprenticeship advisory committees should be replaced by an occupational categories advisory system.* p. 327

Oil and Gas

159. *For engineers, supervisors and other first-line management personnel, increased encouragement and incentives should be provided for on-the-job training in other oil producing provinces and countries, preferably in existing offshore fabrication yards.* p. 330

160. *For non-destructive testing technicians, a two-year course, involving theoretical and practical (on-the-job training) components, should be established immediately.* p. 330

161. *For crane operators, a joint training programme should be established by industry and government, with the objective of minimizing the purchase of expensive equipment; a theoretical crane operating course should be provided by the public institutions and practical crane operating experience should be provided by industry.* p. 330

162. *For welders, testing procedures should be revised to ensure that welders are able to meet petroleum industry standards. Specifically, the quality of the weld in the 6G and 6GR positions should be tested before graduation.* p. 331

163. *In all occupations related to the petroleum industry, students should be provided with basic instructions in quality assurance and quality control.* p. 331

164. *For all existing petroleum-related businesses in the province, courses should be offered in quality assurance, quality control, the use of computers in management and the structure of the industry's contracting and procurement arrangements.* p. 331

Education and Development

165. *The Departments of Education and of Career Development and Advanced Studies should adopt economic development as departmental objectives; the resource departments, the Department of Rural, Agricultural and Northern Development and the Department of Development and Tourism should stress the importance of education in their strategies and programmes; and the Department of Rural, Agricultural and Northern Development should work closely with the Departments of Education and of Career Development and Advanced Studies, and with the education institutions, in order to promote the economic value of education in rural areas.* p. 332

166. *Memorial University should be given the primary responsibility for co-ordinating and delivering business and entrepreneurship courses and programmes, which should emphasize in particular the self employment aspects of business and labour relations. Post-secondary and adult education courses in industrial relations and entrepreneurship should be readily accessible to all Newfoundlanders.* p. 332

Promoting Education

167. *All agencies involved in education should join forces immediately to promote education through a province-wide publicity campaign; this promotion should focus on two fundamental issues - literacy and educational attainment.* p. 333

168. *Provincial government departments responsible for delivering programmes and services in the province should stress education issues when preparing plans and programmes with community groups, municipal authorities and private enterprise.* p. 333

CHAPTER 9

169. *Notwithstanding the agreement that has been made recently, the provincial government should enter into negotiations with the federal government for long-term funding for substantial improvements in the province's air, marine and road transportation systems, in return for agreeing to the phasing out of the Newfoundland railway, along the lines recommended in Chapter 5.* p. 339

170. *A strong case should be made to the Government of Canada that the Gulf ferry service continue to be operated as part of the Trans-Canada Highway system, with its costs borne mainly by the public purse, the cost to users to equate with what it would cost to travel the same distance by road.* p. 340

171. *The provincial and federal governments should jointly review the coastal marine transportation service in Newfoundland, with a view to improving its efficiency through small, private or community enterprises.* p. 340

172. *Transportation is so important, and any changes in it have such an impact upon the economy of Newfoundland, that the federal and provincial governments should establish an overall transportation plan and policy.* p. 341

173. *The Tourism Branch of the Department of Development and Tourism should examine thoroughly its policy planning and strategy formulation process, and develop a fully-integrated provincial tourism development strategy after extensive consultation with the tourism industry and regional and community interests across the province. The strategy should build on Newfoundland's strengths for unique tourist experiences; outline and priorize potential tourism developments and highlight the ways in which existing constraints can be overcome.* p. 344

174. *The Tourism Branch should work closely with the Department of Rural, Agricultural and Northern Development and Regional Development Associations to encourage community groups to develop tourism-related activities.* p. 344

175. *Government should devote special attention to the possibility of developing a Western European and Japanese tourism marketing plan aimed at promoting the province's cultural, natural and scenic attractions.* p. 344

176. *In light of the appeal that the service has for tourists, the federal government should upgrade the Argentia to North Sydney ferry service and the federal and provincial Departments of Transportation should base their decisions on funding ferry services and coastal boats partly on their implications for tourism.* p. 344

177. *The internal tourist market should be given greater consideration, the goal being to attract Newfoundlanders to spend more of their tourist dollars in their own province.* p. 344

178. *The new system of community colleges should offer a wide range of courses relevant to all phases of the tourism/travel industry.* p. 344

179. *The Government of Newfoundland and Labrador should form a senior-level Council on Appropriate Technology, chaired by the Premier and composed of senior industrialists, labour leaders, researchers and public servants. This Council would investigate and direct the development of new and appropriate technology.* p. 345

180. *With a view to improving the climate in the province for industrial development and thus employment creation, a three-member Labour Relations Tribunal should be established and given a broad mandate to improve labour relations in the province. One member should be chosen in full consultation with the labour movement, one in full consultation with employers' associations and the third member, who would serve as chairperson, should be respected by both sides but have no vested interests in either.* p. 349

181. *As one of its aims, the Labour Relations Tribunal should attempt to create a better understanding between management and labour, which would entail a formal statement of agreement on such issues as job security, technological change, productivity, incentive schemes, cross-trades practices, and the basic rights and obligations of employers and employees.* p. 349
182. *The Labour Relations Board must be restructured, perhaps by the appointment of a permanent chairperson, in such a way as to achieve permanence, continuity and efficiency in its work. The Labour Relations Tribunal, when it first sits, should consider the restructuring of the Board as a top priority.* p. 349
183. *Wherever feasible, the provincial government should actively support greater provincial ownership and control of our major resource and manufacturing industries.* p. 350
184. *The local preference policy of the provincial government in all sectors of the economy, including the public sector, should be continually under review in order to maximize local employment benefits and job creation.* p. 352
185. *The Department of Development and Tourism should be mandated to identify spin-off opportunities for all our resource, goods and service industries, including the public sector, and should actively seek out, promote and support local enterprises so that they may take full advantage of such opportunities.* p. 352
186. *Government policies and programmes should be equally supportive of the service as of the goods-producing sector of the provincial economy.* p. 352
187. *A division or section within the Department of Development and Tourism should be charged with the responsibility of keeping informed about, identifying problems within and making policy recommendations for, service-sector growth.* p. 353
188. *The Department of Career Development and Advanced Studies should take on the responsibility of co-ordinating marine-related research and development within the province and should co-operate with the Department of Development and Tourism to promote services for export.* p. 353
189. *The provincial government, in consultation with the private sector, labour organizations, public agencies, the university and other groups interested in trade research, should devise a work plan for examining trade policy impact over the short, medium and long terms. In all work undertaken, the labour-market impact of trade regime changes should be stressed. The results of such research should provide the basis for the province's policy position.* p. 354
190. *The provincial government should create a special unit devoted to examining all aspects of Canadian and provincial trade policy. The unit's work should be intersectoral and multi-disciplinary. As well as performing in-house work, the new Trade Division should be equipped with the resources to contract out research.* p. 355
191. *Newfoundland's trade policy should be formulated as part of a conscious and deliberate strategy for economic and regional development, with employment implications given high priority.* p. 355
192. *Extensive work should be carried out by government, in consultation with the private sector, to identify and exploit new market opportunities throughout the world.* p. 355
193. *The Newfoundland Statistics Agency should be strengthened so that it can compile and maintain a solid data base on all aspects of the Newfoundland economy and society.* p. 356

194. *In co-operation with Memorial University, the provincial government should ensure that Newfoundland maintains a sophisticated research and information capability on national and international economic and policy trends, so that provincial policy positions and initiatives can be devised and implemented accordingly.* p. 356
195. *The provincial government, in co-operation with the Newfoundland and Labrador Federation of Mayors and Municipalities, should encourage the growth of regional service centres throughout the province in ways that complement and serve rural areas and provincial development.* p. 358
196. *The provincial government, in co-operation with the City of St. John's and the Federation of Mayors and Municipalities, should work to make all Newfoundlanders proud of their capital city and its unique history and culture within North America, to help create a stable and attractive investment climate, and to promote St. John's to national and international organizations, businesspersons and tourists.* p. 360

CHAPTER 10

197. *The provincial government should establish Regional Development Boards with strong mandates to identify and encourage opportunities for economic development and employment creation throughout every region of Newfoundland.* p. 372
198. *The Newfoundland and Labrador Rural Development Council should strengthen its mandate to co-ordinate the activities of the various Regional Development Associations and Boards, and its mandate to conduct research and advise government on public policy issues should likewise be strengthened.* p. 373
199. *The government should encourage the further strengthening of Regional Development Associations as co-ordinators of development initiatives at the local level. This encouragement should include a sizeable increase in their operating grants.* p. 374
200. *The government should encourage the growth of community-based economic structures, such as co-operatives and community development corporations, which would become directly involved in new economic initiatives at the local level.* p. 374
201. *In co-operation with Memorial University, the government should initiate a strong programme of training in regional development in both the public and private sectors, geared both to those already working in the field and to new recruits. These people should be trained to assist in new enterprise endeavours. The programme should be delivered through Memorial University and the community college system.* p. 374
202. *A Rural and Regional Development Act should be passed which affirms the responsibilities and mandates of Regional Development Associations, community development corporations, Regional Development Boards, the Newfoundland and Labrador Rural Development Council and the (possibly renamed) Department of Rural, Agricultural and Northern Development.* p. 374
203. *The provincial government, in co-operation with the federal government, should provide block grants of Regional Development Funds to be administered by the Regional Development Boards in support of long-term development projects initiated from within the regions themselves.* p. 375

204. *The provincial government should negotiate with Employment and Immigration Canada to establish a programme under the Canadian Jobs Strategy specifically tailored to regional needs in Newfoundland.* p. 376

205. *First preference in awarding short-term job creation monies (both federal and provincial) should go to projects which are integrated into larger long-term projects aimed at creating permanent employment and which provide training and/or work experience that is relevant to such long-term projects.* p. 376

CHAPTER 11

206. *A comprehensive data base should be compiled on small enterprise in Newfoundland to evaluate the benefits to the province in job creation and provincial revenues and to help stimulate government and popular interest in small enterprise.* p. 394

207. *Regional enterprise centres should be established through the co-operation of the federal, provincial and municipal governments, Regional Development Associations and local businesses. They should be funded by the federal and provincial governments for an initial five-year period and then reviewed for their job-creating effectiveness.* p. 394

208. *The regional offices of government departments, including the Department of Development and Tourism, should be granted the authority for approval, on a trial basis, of projects within a set monetary limit.* p. 394

209. *Both orders of government should revise their programmes for small business to include a greater proportion of equity or other means of financial assistance as opposed to debt financing or guarantees.* p. 395

210. *Government financial assistance programmes to small business, including the Newfoundland and Labrador Development Corporation's venture capital programme, should be unrestrictive as to the type of industry in which investment should occur.* p. 395

211. *The provincial government should institute financial incentive schemes to encourage Newfoundlanders to invest in local enterprises along the lines discussed in this Report.* p. 397

212. *The provincial and federal governments should negotiate and sign a long-term cost-shared subsidiary agreement under the Economic Research and Development Agreement on Small Enterprise Development. The major components of this should provide stimulation for all kinds of enterprises and should allow sufficiently long-term capitalization assistance to ensure that such enterprises are financially stable in their formative years.* p. 397

213. *To assist very small businesses, the provincial government should guarantee loans of up to $5,000 through chartered banks and credit unions.* p. 397

214. *The Faculty of Business at Memorial University should place more emphasis on courses which deal with the particular advantages and difficulties associated with owning and operating small businesses in Newfoundland, including family firms and co-operatives.* p. 398

215. *Government officials, particularly in the Departments of Rural, Agricultural and Northern Development, and Development and Tourism, should be given courses in business administration and should learn to judge the adequacy of their programmes on the basis of their results rather than adherence to regulatory guidelines as such.* p. 398

216. *A promotional campaign should be undertaken to bring to the attention of the general public the value of small enterprise to the Newfoundland economy, with particular emphasis on its job creation potential.* p. 398
217. *Exchange programmes and leaves of absence should be created to give government officials and business instructors in our post-secondary institutions the opportunity to gain firsthand experience of small enterprises.* p. 398
218. *The provincial government should transact some of its financial services through the province's credit union system, thereby providing this locally owned and controlled financial resource with a more secure basis on which to pursue commercial and other forms of lending directed towards economic development.* p. 399
219. *The provincial government should negotiate with the Credit Union Council of Newfoundland and Labrador a means of offering some government financial support to small business (such as loan guarantee programmes and equity support) through the credit union system, in order to provide it with more experience in commercial lending.* p. 399
220. *The federal government, the provincial government and the Federation of Newfoundland and Labrador Co-operatives should establish a Co-operative Business Advisory Service to provide business management and feasibility study services to both established and would-be co-operatives. New co-operatives should complete feasibility studies and business plans through this service before becoming registered, with the costs for this service to be repaid upon the successful establishment and operation of the co-operatives concerned.* p. 399
221. *Developmental support to co-operatives and credit unions through the Department of Rural, Agricultural and Northern Development should be increased.* p. 399
222. *The provincial government, in association with the Federation of Newfoundland and Labrador Co-operatives, should establish a Co-operative Development Revolving Fund, to be administered through the provincial credit union system, whereby individuals can seek initial credit to secure their equity position in a new producers' or workers' co-operative.* p. 399
223. *An experimental programme should be undertaken in Newfoundland whereby unemployment insurance beneficiaries can opt to receive up to one-half of their benefits at the start of their benefit period, for investment in a new private or co-operative enterprise, with the remainder of their benefit to be paid to these individuals during the period when the new enterprise is being established.* p. 399
224. *Co-operatives should be identified in the promotional literature for all existing and new business development programmes for which they are eligible.* p. 399
225. *Memorial University should institute an advanced-level training programme for co-operative managers, executives, Federation of Co-operatives employees and government officials responsible for co-operatives.* p. 399

CHAPTER 12

226. *The Government of Newfoundland and Labrador should enter into negotiations with the Government of Canada for the implementation of a new income security system along the lines suggested in this Report, possibly using Newfoundland as a pilot project for Canada as a whole.* p. 416

Interim Recommendations

227. The provincial government should supplement the federal Child Tax Credit by $100 per child, or to the maximum level that it can afford. p. 416
228. Social Assistance payments should be increased, and should be made directly available to single, able-bodied people who are genuinely unable to find employment. p. 416
229. The restrictions within Section 25 of the *Unemployment Insurance Act* preventing Unemployment Insurance beneficiaries from participating in training, other than that which is subsidized by the Canada Employment and Immigration Commission, should be removed. Any Unemployment Insurance beneficiary should be permitted and encouraged to participate in any education and training programme. p. 416
230. The yearly period of eligibility for Unemployment Insurance benefits should be extended for fishermen living in regions (such as coastal Labrador) where the fishing season is very short. p. 416
231. Self-employed, seasonal workers such as hunters, trappers and loggers should become eligible for Unemployment Insurance during the off-season. p. 416
232. A system should be devised that will allow all other self-employed persons to become eligible for Unemployment Insurance. p. 416

CHAPTER 13

233. *The provincial government should increase its borrowing level slightly to support carefully selected programmes that are specifically targeted to stimulating economic activity, provided that the province can expect economic recovery within a reasonable length of time.* p. 425
234. *The Newfoundland government should impress upon the federal government its need for special consideration under federal restraint programmes, so that it can continue to provide Newfoundland Canadians with adequate education, health and other services.* p. 426
235. *The provincial government should commission an external task force to study the workings of government itself, with a view towards a constructive reorganization that would permit more efficient programme delivery, better communications and co-ordination among departments, greater sensitivity and efficiency in serving clients in the regions, and a developmental orientation among public officials at all levels.* p. 437
236. *All programmes set up by government should have built-in procedures for assessing, revising and, where they are not proving effective, abandoning programmes. 'Sunset clauses' should be instituted whereby new programmes would have a finite life-span, and would be renewed only if they proved effective.* p. 438
237. *All government departments and agencies should be required to publish annual reports on their programmes and activities which would be readily available to the public. In their annual reports, departments responsible for economic development should document their success rates in stimulating new enterprise and the number of new jobs created as a result of their efforts.* p. 438
238. *Personnel policies within the public service should ensure that the most able people can acquire leadership positions, and public servants should be trained to be sensitive to the developmental implications of their regulations and activities.* p. 439

239. *New regulatory programmes should be assessed routinely for their probable impact upon business activity and employment, and the firms and individuals to be affected should be consulted in advance as to how the programmes can be phased in with as little disruption as possible.* p. 439

240. *The province's Public Tender Act, in conjunction with its local preference and procurement guidelines, should be reviewed to ensure that, while maintaining fairness in letting government contracts, Newfoundland-owned enterprises be supported and encouraged to the maximum extent possible in all regions of the province.* p. 439

241. *The provincial government should reformulate its intergovernmental relations strategy in such a way as to take a more proactive role in its dealings with Ottawa and the rest of Canada. In this way it will be able to maintain its own particular characteristics as a distinct entity within Confederation and also operate as a strong and confident presence within Atlantic Canada.* p. 441

242. *The provincial government, in conjunction with the Federation of Mayors and Municipalities, should work towards the strengthening of local and regional government within the province and should examine new mechanisms for putting them on a sound financial base.* p. 442